

AMERIPRISE FINANCIAL INC  
Form 10-K  
March 02, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-K**

✓ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-32525

**AMERIPRISE FINANCIAL, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
Incorporation or organization)

13-3180631  
(I.R.S. Employer  
Identification No.)

**1099 Ameriprise Financial Center**  
**Minneapolis, Minnesota**  
(Address of principal executive offices)

**55474**  
(Zip Code)

Registrant's telephone number, including area code **(612) 671-3131**

Securities registered pursuant to Section 12(b) of the Act:

**Title of each class**

**Name of each exchange on which  
registered**

Common Stock, par value \$.01 per share

The New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

**Yes**  **No**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

**Yes**  **No**

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

**Large  
accelerated  
filer**

**Accelerated  
filer**

**Non-accelerated  
filer**

**Smaller reporting  
company**

(Do not check if  
a smaller  
reporting  
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value, as of June 30, 2008, of voting shares held by non-affiliates of the registrant was approximately \$8.8 billion. Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| <b>Class</b>                            | <b>Outstanding at February 13, 2009</b> |
|---|---|
| Common Stock, par value \$.01 per share | 218,821,776 shares                      |

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III: Portions of the registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held on April 22, 2009 ("Proxy Statement").

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AMERIPRISE FINANCIAL, INC.  
FORM 10-K  
INDEX

|  | <b>Page No.</b>  |
|--|--|
| <b><u>PART I.</u></b>                                |  |
| <u>Item 1.</u>                                       | <u>Business</u> 1  |
| <u>Item 1A.</u>                                      | <u>Risk Factors</u> 22   |
| <u>Item 1B.</u>                                      | <u>Unresolved Staff Comments</u> 34  |
| <u>Item 2.</u>                                       | <u>Properties</u> 34   |
| <u>Item 3.</u>                                       | <u>Legal Proceedings</u> 35  |
| <u>Item 4.</u>                                       | <u>Submission of Matters to a Vote of Security Holders</u> 36  |
| <b><u>PART II.</u></b>                               |  |
| <u>Item 5.</u>                                       | <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> 37 |
| <u>Item 6.</u>                                       | <u>Selected Financial Data</u> 39  |
| <u>Item 7.</u>                                       | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 41                        |
| <u>Item 7A.</u>                                      | <u>Quantitative and Qualitative Disclosures About Market Risk</u> 76   |
| <u>Item 8.</u>                                       | <u>Financial Statements and Supplementary Data</u> 81  |
| <u>Item 9.</u>                                       | <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u> 142                        |
| <u>Item 9A.</u>                                      | <u>Controls and Procedures</u> 142   |
| <u>Item 9B.</u>                                      | <u>Other Information</u> 144   |
| <b><u>PART III.</u></b>                              |  |
| <u>Item 10.</u>                                      | <u>Directors, Executive Officers and Corporate Governance</u> 144  |
| <u>Item 11.</u>                                      | <u>Executive Compensation</u> 147  |
| <u>Item 12.</u>                                      | <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> 147              |
| <u>Item 13.</u>                                      | <u>Certain Relationships and Related Transactions, and Director Independence</u> 147                                   |
| <u>Item 14.</u>                                      | <u>Principal Accountant Fees and Services</u> 147  |
| <b><u>PART IV.</u></b>                               |  |
| <u>Item 15.</u>                                      | <u>Exhibits and Financial Statement Schedules</u> 147  |
| <u>Signatures</u>                                    | 148  |
| <u>Condensed Financial Information of Registrant</u> | F-2  |
| <u>Exhibit Index</u>                                 | E-1  |

---

Table of Contents

**PART I.**

**Item 1. Business.**

**Overview**

Ameriprise Financial, Inc. is a holding company incorporated in Delaware primarily engaged in business through its subsidiaries. Accordingly, references below to "we," "us" and "our" may refer to Ameriprise Financial, Inc. exclusively, to our entire family of companies or to one or more of our subsidiaries. Our headquarters is located at 55 Ameriprise Financial Center, Minneapolis, Minnesota 55474. We also maintain executive offices in New York City.

We are engaged in providing financial planning, products and services that are designed to be utilized as solutions for our clients' cash and liquidity, asset accumulation, income, protection, and estate and wealth transfer needs. As of December 31, 2008, we had a network of more than 12,400 financial advisors and registered representatives ("affiliated financial advisors"). In addition to serving clients through our affiliated financial advisors, our asset management, annuity, and auto and home protection products are distributed through third-party advisors and affinity relationships.

We believe we are well positioned to further strengthen our offerings to existing and new clients and deliver profitable long-term growth to our shareholders. Our five strategic objectives are:

*Be the leading provider of financial planning products and services to mass affluent and affluent clients.*

*Strengthen our lead in financial planning.*

*Become the platform of choice for financial planning-focused advisors.*

*Capture greater assets and protection in force by improving and expanding our product solutions and extending our distribution reach.*

*Ensure increasingly stronger and more efficient enterprise-wide capabilities.*

We deliver solutions to our clients through an approach focused on building long term personal relationships between our advisors and clients. We offer financial planning and advice that are responsive to our clients' evolving needs and help them achieve their identified financial goals by recommending actions and a range of product "solutions" consisting of investment, annuities, insurance, banking and other financial products that help them attain over time a return or form of protection while accepting what they determine to be an appropriate range and level of risk. The financial product solutions we offer through our affiliated advisors include both our own products and services and products of other companies. Our financial planning and advisory process is designed to provide comprehensive advice, when appropriate, to address our clients' cash and liquidity, asset accumulation, income, protection, and estate and wealth transfer needs. We believe that our focus on personal relationships, together with our strengths in financial planning and product development, allows us to better address our clients' financial needs, including the financial needs of our primary target market segment, the mass affluent and affluent, which we define as households with investable assets of more than \$100,000. This focus also puts us in a strong position to capitalize on significant demographic and market trends, which we believe will continue to drive increased demand for our financial planning and other financial services. Deep client-advisor relationships are central to the ability of our business model to succeed through market cycles, including the extreme market conditions that persisted through 2008. We continue to establish Ameriprise Financial as a financial services leader as we focus on meeting the financial needs of the mass affluent and affluent, as evidenced by our continued leadership in financial planning and a client retention percentage rate of 94%. Branded financial plan net cash sales for the year ended December 31, 2008 increased 4% compared to the year-ago period.

Our multi-platform network of affiliated financial advisors is the means by which we develop personal relationships with retail clients. We refer to the affiliated financial advisors who use our brand name (who numbered more than 10,500 at December 31, 2008) as our branded advisors, and those who do not use our brand name but who are affiliated as registered representatives of ours as our unbranded advisors (who numbered over 1,900 at December 31, 2008). Our branded advisor network is also the primary distribution channel through which we offer our investment

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products and services, as well as a range of banking and protection products. We offer our branded advisors training, tools, leadership, marketing programs and other field and centralized support to assist them in delivering advice and product solutions to clients. We believe our approach not only improves the products and services we provide to their clients, but also allows us to reinvest in enhanced services for clients and increase support for our affiliated financial advisors. This integrated model also affords us a better understanding of our clients, which allows us to better manage the risk profile of our businesses. We believe our focus on meeting clients' needs through personal financial planning results in more satisfied clients with deeper, longer lasting relationships with our company and a higher retention of experienced financial advisors.

Our five operating segments are:

Advice & Wealth Management;

Table of Contents

Asset Management;

Annuities;

Protection; and

Corporate & Other.

Our Advice & Wealth Management segment provides financial planning and advice, as well as full service brokerage and banking services, primarily to retail clients, through our affiliated financial advisors. Our affiliated advisors utilize a diversified selection of both proprietary and non-proprietary products to help clients meet their financial needs.

Our Asset Management segment provides investment advice and investment products to retail and institutional clients. Our subsidiary, RiverSource Investments, LLC, ("RiverSource Investments") predominantly provides U.S. domestic products and services and our subsidiary, Threadneedle Asset Management Holdings Sàrl ("Threadneedle"), and its affiliates predominantly provide international investment products and services. U.S. domestic retail products are primarily distributed through our Advice & Wealth Management segment, and also through unaffiliated advisors. International retail products are primarily distributed through third parties. Institutional clients are served directly by RiverSource Investments and Threadneedle personnel.

Our Annuities segment provides RiverSource Life variable and fixed annuity products to retail clients, primarily distributed through our affiliated financial advisors and to the retail clients of unaffiliated advisors and firms through third-party distributors.

Our Protection segment provides a variety of protection products to address the protection and risk management needs of our retail clients, including life, disability income and property-casualty insurance primarily distributed through our affiliated financial advisors. This segment also includes our long term care block which was closed in 2002.

Our Corporate & Other segment realizes net investment income on corporate level assets, including excess capital held in RiverSource Life and other unallocated equity and revenues from various investments, as well as unallocated corporate expenses. This segment also includes non-recurring costs from 2007 and 2006 associated with our separation from American Express Company ("American Express"), which ended in the fourth quarter of 2007.

During our fiscal year ended December 31, 2008, the global financial markets in which each of our segments operate experienced unprecedented volatility and decline. Market conditions have had a significant impact on the operating results of each of our segments. We expect that a challenging business climate will persist for the foreseeable future. To succeed in this environment, we expect to continue focusing on each of our key strategic objectives. The success of these and other strategies may be affected by the factors discussed below in Item 1A Risk Factors of this Annual Report on Form 10-K, and other factors as discussed herein.

In 2008, we generated \$7.0 billion in total net revenues, \$371 million pretax loss and \$38 million net loss. At December 31, 2008, we had \$372.1 billion in owned, managed and administered assets worldwide compared to \$479.8 billion as of December 31, 2007, as follows:

| Asset Category | As of December 31, |                 |
|----------------|--------------------|-----------------|
|                | 2008               | 2007            |
|                | (in billions)      |                 |
| Owned          | \$ 31.7            | \$ 39.6         |
| Managed        | 264.9              | 369.2           |
| Administered   | 75.5               | 71.0            |
| <b>Total</b>   | <b>\$ 372.1</b>    | <b>\$ 479.8</b> |

**Our Principal Brands**

We use two principal brands for our businesses: Ameriprise Financial and *RiverSource*.

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We use Ameriprise Financial as our holding company brand, as well as the name of our branded advisor network and certain of our retail products and services. The retail products and services that utilize the Ameriprise brand include products and services that we provide through our branded advisors (e.g., investment advisory accounts, retail brokerage services and banking products) and products and services that we market directly to consumers (e.g., personal auto and home insurance).

We use our *RiverSource* brand for our U.S. asset management, annuity, and the majority of our protection products. Products that utilize the *RiverSource* name include retail and institutional asset management products, retail mutual funds, annuities and life and disability income insurance products. We believe that using a distinct brand for these products permits differentiation from our branded advisor network.

## Table of Contents

### **History and Development**

Our company has more than 110 years' history of providing financial solutions designed to help clients achieve their financial objectives. Our earliest predecessor company, Investors Syndicate, was founded in 1894 to provide face-amount certificates to consumers with a need for conservative investments. By 1937, Investors Syndicate had expanded its product offerings through Federal Housing Authority mortgages, and later, mutual funds, by establishing Investors Mutual, one of the pioneers in the mutual fund industry. In 1949, Investors Syndicate was renamed Investors Diversified Services, Inc., or IDS. In 1957, IDS added life insurance products, and later, annuity products, through IDS Life Insurance Company (now known as "RiverSource Life Insurance Company"). In 1972, IDS began to expand its distribution network by delivering investment products directly to clients of unaffiliated financial institutions. IDS also introduced its comprehensive financial planning processes to clients, integrating the identification of client needs with the products and services to address those needs in the 1970s, and it introduced fee-based planning in the 1980s.

In 1979, IDS became a wholly owned subsidiary of Alleghany Corporation pursuant to a merger. In 1983, our company was formed as a Delaware corporation in connection with American Express' 1984 acquisition of IDS Financial Services from Alleghany Corporation. We changed our name to "American Express Financial Corporation" ("AEFC") and began selling our products and services under the American Express brand in 1994. To provide retail clients with a more comprehensive set of products and services, in the late 1990s we began significantly expanding our offering of the mutual funds of other companies. In 2003, we acquired Threadneedle. On September 30, 2005, American Express consummated a distribution of the shares of AEFC to American Express shareholders (the "Distribution"), at which time we became an independent, publicly traded company and changed our name to "Ameriprise Financial, Inc." In 2006, we divested our defined contribution recordkeeping business. In the fourth quarter of 2008, we completed the acquisitions of H&R Block Financial Advisors, Inc., Brecek & Young Advisors, Inc. and J. & W. Seligman & Co., Incorporated, each of which further expanded our retail distribution or our asset management capabilities.

### **Our Organization**

The following is a simplified depiction of the organizational structure for our company, showing the primary subsidiaries through which we operate our businesses. The current legal entity names are provided for each subsidiary.



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Following is a brief description of the business conducted by each subsidiary noted above, as well as the segment or segments in which it primarily operates.

Table of Contents

*Threadneedle Asset Management Holdings Sàrl* is a Luxembourg-based holding company for the Threadneedle group of companies, which provides investment management products and services to clients in the United Kingdom, Continental Europe and the Asia-Pacific region on a basis primarily independent from our other affiliates. Operating under its own brand name, management organization and operating, compliance and technology infrastructure, Threadneedle's results of operations are included in our Asset Management segment.

*RiverSource Investments, LLC* serves as investment advisor to our RiverSource® and Seligman family of mutual funds and to institutional accounts. Its results of operations are included in our Asset Management and Corporate & Other segments.

*J. & W. Seligman & Co., Incorporated* is a holding company for the Seligman group of companies ("Seligman"), which we acquired in November 2008. Seligman's results of operations are included in our Asset Management segment.

*RiverSource Fund Distributors, Inc.* is a broker-dealer subsidiary which began serving as the principal underwriter and distributor for our *RiverSource* and *Seligman* mutual funds on January 2, 2009. Its results of operations are included in our Asset Management segment.

*American Enterprise Investment Services Inc.* ("AEIS") is our registered clearing broker-dealer subsidiary. Brokerage transactions for accounts introduced by Ameriprise Financial Services, Inc. are executed and cleared through AEIS. Its results of operations are included in our Advice & Wealth Management segment.

*Ameriprise Financial Services, Inc.* ("AFSI") is our primary financial planning and retail distribution subsidiary, which operates under our Ameriprise Financial brand name. Its results of operations are included in our Advice & Wealth Management segment.

*Securities America Financial Corporation* is a holding company for Securities America, Inc. ("SAI"), our retail distribution subsidiary, which provides a platform for our unbranded advisors. Operating under its own name, management organization and operating, compliance and technology infrastructure, its results of operations are included in our Advice & Wealth Management segment. Securities America Financial Corporation purchased Brecek & Young Advisors, Inc. ("Brecek & Young") in October 2008.

*AMPF Holding Corporation* is a holding company for the group of companies comprising the retail brokerage and advisory business which we acquired from H&R Block, Inc. in October 2008, and subsequently renamed. The primary operating subsidiary within the AMPF Holding Corporation group is Ameriprise Advisor Services, Inc. ("AASI", formerly known as *H&R Block Financial Advisors, Inc.*), a registered broker-dealer that provides brokerage and investment advisory services to retail clients. AMPF Holding Corporation's results of operations are included in our Advice & Wealth Management segment.

*RiverSource Distributors, Inc.* ("RiverSource Distributors") is a broker-dealer subsidiary which serves as a co-principal underwriter and distributor of our *RiverSource* and *Seligman* mutual funds and as the principal underwriter and distributor for our *RiverSource* annuities and insurance products sold through AFSI and SAI as well as through third-party channels such as banks and broker-dealer networks. Its results of operations are included in our Asset Management, Annuities and Protection segments.

*RiverSource Life Insurance Company* ("RiverSource Life") conducts its insurance and annuity business in states other than New York. Its results of operations for our annuities business are included primarily in the Annuities segment, and its results of operations with respect to other life and health products it manufactures are reflected primarily in the Protection segment. Investment income on excess capital is reported in the Corporate & Other segment.

*RiverSource Life Insurance Co. of New York* ("RiverSource Life of NY") conducts its insurance and annuity business in the State of New York. Its results of operations for our annuities business are included primarily in the Annuities segment, and its results of

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operations with respect to other life and health products it manufactures are reflected primarily in the Protection segment. Investment income on excess capital is reported in the Corporate & Other segment. RiverSource Life of NY is a wholly owned subsidiary of RiverSource Life. We refer to RiverSource Life and RiverSource Life of NY as the "RiverSource Life companies."

*RiverSource Service Corporation* is a transfer agent that processes client transactions for our RiverSource mutual funds and Ameriprise face-amount certificates. Its results of operations are included in our Asset Management segment.

*IDS Property Casualty Insurance Company* ("IDS Property Casualty" or "Ameriprise Auto & Home") provides personal auto, home and excess liability insurance products. *Ameriprise Insurance Company* is also licensed to provide these products. The results of operations of these companies are included in the Protection segment.

*Ameriprise Certificate Company* issues a variety of face-amount certificates, which are a type of investment product. Its results of operations are included in the Advice & Wealth Management segment.

*Ameriprise Trust Company* provides trust services to individuals and businesses. Its results of operations are included in the Asset Management segment.

## Table of Contents

*Ameriprise Bank, FSB* ("Ameriprise Bank") offers a variety of consumer banking and lending products and personal trust and related services. Its results of operations are included in the Advice & Wealth Management segment.

### **Our Segments Advice & Wealth Management**

Our Advice & Wealth Management segment provides financial planning and advice, as well as full service brokerage and banking services, primarily to retail clients through our affiliated financial advisors. Our affiliated financial advisors utilize a diversified selection of both proprietary and non-proprietary products to help clients meet their financial needs. A significant portion of revenues in this segment is fee-based, driven by the level of client assets, which is impacted by both market movements and net asset flows. We also earn net investment income on owned assets primarily from certificate and banking products. This segment earns revenues (distribution fees) for distributing non-proprietary products and earns intersegment revenues (distribution fees) for distributing our proprietary products and services to our retail clients. Intersegment expenses for this segment include expenses for investment management services provided by our Asset Management segment. All intersegment activity is eliminated in our consolidated results. In 2008, 34% of our revenues from external clients was attributable to our Advice & Wealth Management business.

### ***Our Financial Advisor Platform***

We provide clients financial planning and brokerage services through our nationwide network of more than 12,400 affiliated financial advisors. Our network currently includes more than 10,500 branded advisors, of which approximately 2,800 are employees of our company and approximately 7,700 are independent franchisees or employees or contractors of franchisees. Our network also includes approximately 1,900 non-employee unbranded advisors of SAI. During the fourth quarter of 2008, we acquired H&R Block Financial Advisors, Inc. (which was renamed as AASI) and Brecek & Young, adding approximately 950 employee branded advisors and approximately 300 independent advisors, respectively. We believe our branded advisor network had the fourth largest advisor sales force in the United States in 2008.

Advisors who use our brand name can affiliate with our company in two different ways. Each affiliation offers different levels of support and compensation, with the rate of commission we pay to each branded advisor determined by a schedule that takes into account the type of service or product provided, the type of branded advisor affiliation and other criteria. The affiliation options are:

*Employee Advisors.* Under this affiliation, a financial advisor is an employee of our company, and we pay compensation competitive with other employee advisor models. We provide our employee advisors a high level of support, including local office space and staff support, in exchange for a commission payout rate lower than that of our branded franchisee advisors.

*Branded Franchisee Advisors.* Under this affiliation, a financial advisor is an independent contractor franchisee who affiliates with our company and has the right to use our brand name. We pay to our branded franchisee advisors a higher payout rate than we do to our employee advisors as they are responsible for paying their own overhead, staff compensation and other business expenses. In addition, our branded franchisee advisors pay a franchise association fee and other fees in exchange for the support we offer and the right to associate with our brand name. The support that we offer to our branded franchisee advisors includes generalist and specialist leadership support, technology platforms and tools, training and marketing programs.

Our strong financial advisor retention rate speaks to the value proposition we offer advisors. As of December 31, 2008, over 45% of our branded advisors had been with us for more than 10 years, with an average tenure of nearly 18 years. Among branded advisors who have been with us for more than 10 years, we have a retention rate of over 95%. We believe this success is driven by the choice we offer branded advisors about how to affiliate with our company, together with our competitive payout arrangements and the distinctive support that helps them build their practices.

Our third platform, the unbranded advisor network served by SAI and its subsidiaries, offers our own and other companies' mutual funds and variable annuities as well as the investment and protection products of other companies.

Each of our three platforms of affiliated financial advisors provides clients access to our diversified set of cash and liquidity, asset accumulation, income, protection, and estate and wealth transfer products and services, as well as a selection of products from other companies, as more fully described below.

### **Brokerage and Investment Advisory Services**

Individual and Family Financial Services

Our branded advisors deliver financial solutions to our advisory clients by building long-term personal relationships through financial planning that is responsive to clients' evolving needs. We utilize the Certified Financial Planner Board of

## Table of Contents

Standards, Inc.'s defined financial planning process of Engage, Gather, Analyze, Recommend, Implement and Monitor. This process involves gathering relevant financial information, setting life goals, examining clients' current financial status and determining a strategy or plan for helping clients meet their goals given their current situation and future plans. Once we have identified a financial planning client's objectives, we then recommend a solution set consisting of actions such as paying down debt, increasing savings and investment, creating a will, and including tax qualified formats in the client's allocation of savings and investment as well as products to address these objectives with clients accepting what they determine to be an appropriate range and level of risk. Our financial planning relationships with our clients are characterized by an ability to thoroughly understand their specific needs, which enables us to better help them meet those needs, achieve higher overall client satisfaction, have more products held in their accounts and increase the company's assets under management.

Our financial planning clients pay a fixed fee for the receipt of financial planning services. This fee is based on the complexity of a client's financial and life situation and their advisor's particular practice experience, and is not based on or related to actual investment performance. If clients elect to implement their financial plan with our company, we and our affiliated financial advisors generally receive a sales commission and/or sales load and other revenues for the products that we sell to them. These commissions, sales loads and other revenues are separate from and in addition to the financial planning fees we and our affiliated financial advisors may receive. We earned branded financial planning net cash sales in 2008 of \$211 million, a 4% increase over 2007. In addition, sales of financial plans increased in 2008, and approximately 46% of our retail clients serviced by branded franchisee advisors and employee advisors of AFSI have received a financial plan or have entered into an agreement to receive and have paid for a financial plan.

### Brokerage and Other Products and Services

We offer our retail and institutional clients a variety of brokerage and other investment products and services.

Our *Ameriprise ONE*® Financial Account is a single integrated financial management account that combines a client's investment, banking and lending relationships. The *Ameriprise ONE* Financial Account enables clients to access a single cash account to fund a variety of financial transactions, including investments in mutual funds, individual securities, cash products and margin lending. Additional features of the *Ameriprise ONE* Financial Account include unlimited check writing with overdraft protection, a co-branded MasterCard, online bill payments, ATM access and a savings account.

We provide securities execution and clearing services for our retail and institutional clients through our registered broker-dealer subsidiaries. As of December 31, 2008, we administered \$75.5 billion in assets for clients, an increase of \$4.5 billion from December 31, 2007. Clients can use our online brokerage service to purchase and sell securities, obtain independent research and information about a wide variety of securities, and use self-directed asset allocation and other financial planning tools. Clients can also contact their financial advisor and access other services. We also offer shares in public non-exchange traded Real Estate Investment Trusts ("REITs"), and other alternative investments and structured notes issued by other companies. We believe we are one of the largest distributors of public non-exchange traded REITs in the U.S.

Through *Ameriprise Achiever Circle*, we offer special benefits and rewards to recognize clients who have \$100,000 invested with us. Clients who have \$500,000 or more invested with us are eligible for *Ameriprise Achiever Circle Elite*, which includes additional benefits. To qualify for and maintain *Achiever Circle* or *Achiever Circle Elite* status, clients must meet certain eligibility and maintenance requirements. Special benefits of the program may include fee waivers on *Ameriprise*® IRAs and the *Ameriprise ONE* Financial Account, a fee-waived *Ameriprise Financial MasterCard*® or a preferred interest rate on an *Ameriprise Personal Savings Account*, as applicable.

### Fee-based Investment Advisory Accounts

In addition to purchases of proprietary and non-proprietary mutual funds and other securities on a stand-alone basis, clients may purchase mutual funds, among other securities, in connection with investment advisory fee-based "wrap account" programs or services, and pay fees based on a percentage of their assets. This fee is for the added services and investment advice associated with these accounts. We currently offer both discretionary and non-discretionary investment advisory wrap accounts. In a discretionary wrap account, we (or an unaffiliated investment advisor) choose the underlying investments in the portfolio on behalf of the client, whereas in a non-discretionary wrap account, clients choose the underlying investments in the portfolio based, to the extent the client elects, on their financial advisor's recommendation. Investors in discretionary and non-discretionary wrap accounts generally pay an asset-based fee (for advice and other services) based on the assets held in that account as well as any related fees or costs included in the underlying securities held in that account (e.g., underlying mutual fund operating expenses, investment advisory or related fees, Rule 12b-1 fees, etc.). A significant portion of our proprietary mutual fund sales are made through wrap accounts. Client assets held in proprietary mutual funds in a wrap account generally produce higher revenues to us than client assets held in proprietary mutual funds on a stand-alone basis because, as noted above, we receive an investment advisory fee based on the asset values of the

assets held in a wrap account in addition to revenues we normally receive for investment management of the funds included in the account.

6

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## Table of Contents

We offer three major types of investment advisory accounts. We sponsor Ameriprise Strategic Portfolio Service Advantage, a non-discretionary wrap account service. We also sponsor Ameriprise Separately Managed Accounts ("SMAs"), a discretionary wrap account service through which clients invest in strategies offered by us and by affiliated and non-affiliated investment managers and a similar program on an accommodation basis where clients transfer assets to us and do not maintain an investment management relationship with the manager of those assets. We also offer *Active Portfolios* investments, a discretionary mutual fund wrap account service of which we are the sponsor. During the fourth quarter of 2008, we expanded our *Active Portfolios* investment offerings by introducing *Active Diversified Portfolios* series, which provide strategic target allocations based on different risk profiles and tax sensitivities.

Our unbranded advisor force offers separate fee based investment advisory account services through Securities America Advisors, Inc., a wholly-owned subsidiary of Securities America Financial Corporation, and through Brecek & Young's investment management platform, Iron Point Capital Management.

## Mutual Fund Offerings

In addition to the *RiverSource* Family of Funds, we offer mutual funds from more than 260 other mutual fund families on a stand-alone basis and as part of our wrap accounts to provide our clients a broad choice of investment products. In 2008, our retail sales of other companies' mutual funds accounted for a substantial portion of our total retail mutual fund sales. Client assets held in mutual funds of other companies on a stand-alone basis generally produce lower total revenues than client assets held in our own mutual funds, as we are not receiving ongoing investment management fees for the former.

Mutual fund families of other companies generally pay us by sharing a portion of the revenue generated from the sales of those funds and from the ongoing management of fund assets attributable to our clients' ownership of shares of those funds. These payments enable us to make the mutual fund families of other companies generally available through our financial advisors and through our online brokerage platform. We also receive administrative services fees from most mutual funds sold through our distribution network.

## Banking Products

We provide consumer lending and Federal Deposit Insurance Corporation ("FDIC") insured deposit products to our retail clients through our banking subsidiary, Ameriprise Bank. Our consumer lending products include first mortgages, home equity loans, home equity lines of credit, investment secured loans and lines of credit and unsecured loans and lines of credit. We also launched a suite of credit card products linked to a new Ameriprise Rewards Program. These include the Ameriprise World Elite MasterCard, World MasterCard and basic MasterCard. The majority of bank deposits are in the Ameriprise Personal Savings Account, which is offered in connection with the *Ameriprise ONE* Financial Account described above in " Brokerage and Other Products and Services." We also offer stand-alone checking, savings and money market accounts and certificates of deposit. We believe these products play a key role in our Advice & Wealth Management business by offering our clients an FDIC-insured alternative to other cash products. They also provide pricing flexibility generally not available through money market funds.

To manage our exposure to residential real estate, our originated mortgage and home equity installment loan products are sold to third parties shortly after origination. All other lending products are originated and held on the balance sheet of Ameriprise Bank, with the exception of secured loans and lines of credit, which are held on the balance sheet of Ameriprise Financial. As of December 31, 2008, there were \$380 million in home loans/equity line of credit balances, \$20 million in investment-secured loan and line of credit balances and \$99 million in unsecured balances (including credit card balances), net of premiums and discounts, and capitalized lender paid origination fees.

Ameriprise Bank's strategy and operations are focused on serving branded advisor clients. We distribute our banking products through branded advisor referrals and through our website. We believe that the availability of these products is a competitive advantage and supports our financial advisors in their ability to meet the cash and liquidity needs of our clients. We also provide distribution services for the Personal Trust Services division of Ameriprise Bank. Personal Trust Services provides personal trust, custodial, agency and investment management services to individual and corporate clients of our branded advisors to help them meet their estate and wealth transfer needs. Personal Trust Services also uses some of our investment products in connection with its services.



Table of Contents

Face-Amount Certificates

We currently issue four different types of face-amount certificates through Ameriprise Certificate Company, a wholly owned subsidiary that is registered as an investment company under the Investment Company Act of 1940. Owners of our certificates invest funds and are entitled to receive, at maturity or at the end of a stated term, a determinable amount of money equal to their aggregate investments in the certificate plus interest at rates we declare, less any withdrawals and early withdrawal penalties. For two types of certificate products, the rate of interest is calculated in whole or in part based on any upward movement in a broad-based stock market index up to a maximum return, where the maximum is a fixed rate for a given term, but can be changed at our discretion for prospective terms.

At December 31, 2008, we had \$4.9 billion in total certificate reserves underlying our certificate products. Our earnings are based upon the difference, or "spread", between the interest rates credited to certificate holders and the interest earned on the certificate assets invested. A portion of these earnings is used to compensate the various affiliated entities that provide management, administrative and other services to our company for these products. The certificates compete with investments offered by banks (including Ameriprise Bank), savings and loan associations, credit unions, mutual funds, insurance companies and similar financial institutions, which may be viewed by potential customers as offering a comparable or superior combination of safety and return on investment. In times of weak performance in the equity markets, certificate sales are generally stronger. In 2008, branded financial advisors' cash sales more than tripled to \$2.7 billion, with total certificate reserves of nearly \$5 billion.

Business Alliances

We provide workplace financial planning and educational programs to employees of major corporations and small businesses through our Business Alliances group. Our Business Alliances group focuses on helping the individual employees of client companies plan for and achieve their long-term financial objectives. It offers financial planning as an employee benefit supported by educational materials, tools and programs. In addition, we provide training and support to financial advisors working on-site at company locations to present educational seminars, conduct one-on-one meetings and participate in client educational events. We also provide financial advice service offerings, such as Financial Planning and Executive Financial Services, tailored to discrete employee segments.

Strategic Alliances and Other Marketing Arrangements

We use strategic marketing alliances, local marketing programs for our branded advisors and on-site workshops through our Business Alliances group to generate new clients for our financial planning and other financial services. An important aspect of our strategy is to leverage the client relationships of our other businesses by working with major companies to create alliances that help generate new financial services clients for us. For example, AFSI currently has relationships with Delta Air Lines, Office Depot, Borders, Inc. and The Association of Women's Health, Obstetric and Neonatal Nurses, and AASI has a relationship with H&R Block, Inc.

Our alliance arrangements are generally for a limited duration of one to five years with an option to renew. Additionally, these types of marketing arrangements typically provide that either party may terminate the agreements on short notice, usually within sixty days. We compensate our alliance partners for providing opportunities to market to their clients.

In addition to our alliance arrangements, we have developed a number of local marketing programs for our branded advisors to use in building their client bases. These include pre-approved seminars, seminar- and event-training and referral tools and training, which are designed to encourage both prospective and existing clients to refer or bring their friends to an event.

Ameriprise Advisor Center

Our Ameriprise Advisor Center ("AAC") is a dedicated call center for remote-based sales and service for AFSI. AASI maintains a service group that provides a similar function. It provides support for retail customers who do not have access to or do not want a face-to-face relationship with a financial advisor. Financial consultants in the AAC provide personal service and guidance through phone-based interactions and may provide product choices in the context of the client's needs and objectives.

**Our Segments Asset Management**

Our Asset Management segment provides investment advice and investment products to retail and institutional clients. RiverSource Investments predominantly provides U.S. domestic products and services and Threadneedle predominantly provides international investment products and services. U.S. domestic retail products are primarily distributed through our Advice & Wealth Management segment and also through unaffiliated advisors. International retail products are primarily



## Table of Contents

distributed through third parties. Retail products include mutual funds, variable product funds underlying insurance and annuity separate accounts, separately managed accounts and collective funds. Asset Management products are also distributed directly to institutions through our institutional sales force. Institutional Asset Management products include traditional asset classes, separate accounts, collateralized loan obligations, hedge funds and property funds. Revenues in this segment are primarily earned as fees based on managed asset balances, which are impacted by both market movements and net asset flows. This segment earns intersegment revenue for investment management services. Intersegment expenses for this segment include distribution expenses for services provided by our Advice & Wealth Management, Annuities and Protection segments. All intersegment activity is eliminated in our consolidated results. In 2008, 18% of our total revenues from external clients were attributable to our Asset Management business.

At December 31, 2008, our Asset Management segment had \$199.6 billion in managed assets worldwide, compared to \$285.1 billion at December 31, 2007. Managed assets include managed external client assets and managed owned assets. Managed external client assets include client assets for which we provide investment management services, such as the assets of the *RiverSource* family of mutual funds, the assets of the *Threadneedle*® funds and the *Seligman*® funds, and assets of institutional clients. Managed assets include assets managed by sub-advisors we select. These external client assets are not reported on our Consolidated Balance Sheets. Managed owned assets include certain assets on our Consolidated Balance Sheets (such as the assets of the general account and the *RiverSource* Variable Product funds held in the separate accounts of our life insurance subsidiaries) for which the Asset Management segment provides management services and recognizes management fees. The assets managed by our Asset Management segment comprise approximately 54% of our consolidated owned, managed and administered assets.

For additional details regarding our managed and administered assets, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Item 7 of this Annual Report on Form 10-K.

### ***Investment Management Capabilities and Development***

Our investment management teams manage the majority of assets in our RiverSource, Threadneedle and Seligman families of mutual funds, as well as the assets we manage for institutional clients in separately managed accounts, the general and separate accounts of the RiverSource Life companies and the assets of our face-amount certificate company. These investment management teams also manage assets under sub-advisory arrangements.

We believe that delivering consistent and strong investment performance will positively impact our assets under management by increasing the competitiveness and attractiveness of many of our investment products. We have implemented different approaches to investment management depending on whether the investments in our portfolio are fixed income or equity.

*Fixed Income.* In the United States, our fixed income investment management teams are centralized in Minneapolis, with our leveraged loan team located in Los Angeles. Our fixed income teams are organized by sectors, including for example, corporate, municipal, global and structured. They utilize valuation models with both quantitative and qualitative inputs to drive duration, yield curve and credit decisions. This sector-based approach creates focused and accountable teams organized by expertise. Portfolio performance is measured to align client and corporate interests, and asset managers are incented to collaborate, employ best practices and execute in rapid response to changing market and investment conditions consistent with established portfolio management principles.

*Equity.* We have implemented a multi-platform approach to equity asset management using individual, accountable investment management teams with dedicated analytical and equity trading resources. Each team focuses on particular investment strategies and product sets. Investment management teams are located in Cambridge MA, Minneapolis, MN, New York, NY and Palo Alto, CA, as well as at our affiliates Kenwood Capital Management LLC ("Kenwood"), and Threadneedle.

Kenwood is an investment management joint venture we established in 1998. We own 47.7% of Kenwood and Kenwood's investment management principals own 47.5% of the firm, with the remainder held by Kenwood's associate portfolio managers. Kenwood investment management services are focused on the small- and mid-cap segments of the U.S. equity market.

We offer international investment management products and services through Threadneedle, which is headquartered in Luxembourg and which has its primary operations in London, England. The Threadneedle group of companies provides investment management products and services independent from our other affiliates. Threadneedle offers a wide range of asset management products and services, including segregated asset

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management, mutual funds and hedge funds to institutional clients as well as to retail clients through intermediaries, banks and fund platforms in Continental Europe, the United Kingdom and the Asia-Pacific region. These services comprise most asset classes, including equities, fixed income, commodities, cash and real estate. Threadneedle also offers investment management products and services to U.S. investment companies and other U.S. institutional clients, including certain *RiverSource* Funds.

## Table of Contents

We have continued to invest to deliver consistent and strong investment performance by enhancing our investment management leadership, talent, technology infrastructure and distribution capabilities. Most recently, in November 2008 we acquired the Seligman companies and retained key investment professionals and management to increase the company's alternative investment activities and to add breadth and depth to the RiverSource multi-investment boutique strategy. Seligman offers asset management services emphasizing open- and closed-end mutual funds, hedge funds and institutional accounts. Seligman manages the nation's first growth mutual fund and helped develop single-state municipal funds. Seligman is recognized in particular for its accomplished technology investment team, which manages several retail and alternative portfolios, including Seligman Communications and Information Fund, and for its value-oriented offerings.

In addition to growth through acquisition strategy, we are continuing to capitalize on our broad asset management capabilities by creating new retail and institutional investment products, including eight new *RiverSource* mutual funds, four new Threadneedle hedge funds, and four funds within Threadneedle's Open Ended Investment Company ("OEIC") investment range, one of which is a long/short strategy, and two new property unit trusts, all of which launched in 2008. We also provide seed money to certain of our investment management teams to develop new products for our institutional clients.

### ***Asset Management Offerings***

#### *Mutual Fund Families RiverSource, Threadneedle and Seligman*

We provide investment advisory, distribution and other services to three families of mutual funds: the *RiverSource*, *Seligman* and *Threadneedle* mutual fund families.

Our *RiverSource* family of mutual funds consist of the RiverSource Funds, a group of retail mutual funds; the RiverSource Variable Portfolio Funds ("VP Funds"), a group of variable product funds available as investment options in variable insurance and annuity products; the Seligman Funds, a group of retail funds formerly managed by J. & W. Seligman Co. prior to its acquisition by RiverSource Investments, LLC; the Seligman Variable Insurance Trusts ("VITs"), a group of variable product funds; and the Seligman closed-end funds. We offer the RiverSource Funds to investors primarily through our financial advisor network and to participants in retirement plans through various third-party administrative platforms. We also offer RiverSource Retail Funds through third-party broker-dealer firms, third-party administrative platforms and banks. RiverSource VP Funds are available as underlying investment options in our own RiverSource variable annuity and variable life products. Seligman VIT Funds are available as underlying investment options in unaffiliated variable annuity and variable life products. The RiverSource family of mutual funds includes domestic and international equity, fixed income, cash management and balanced funds with a variety of investment objectives.

The RiverSource Funds had total managed assets at December 31, 2008 of \$38.0 billion in 75 funds compared to \$61.3 billion at December 31, 2007 in 80 funds. RiverSource VP Funds had total managed assets at December 31, 2008 of \$19.7 billion in 27 funds compared to \$25.6 billion at December 31, 2007 in 23 funds.

During 2008, the RiverSource Disciplined Large Cap Fund and five RiverSource Disciplined Asset Allocation Variable Portfolio Funds were added to the RiverSource family of mutual funds.

RiverSource Distributors and RiverSource Fund Distributors, Inc. act as the principal underwriters (distributors of shares) for the *RiverSource* family of mutual funds. In addition, RiverSource Investments acts as investment manager and several of our subsidiaries perform various services for the funds, including accounting, administrative and transfer agency services. RiverSource Investments performs investment management services pursuant to contracts with the mutual funds that are subject to renewal by the mutual fund boards within two years after initial implementation, and thereafter, on an annual basis.

RiverSource Investments earns management fees for managing the assets of the RiverSource family of mutual funds based on the underlying asset values. We also earn fees by providing other services to the RiverSource family of mutual funds. RiverSource equity and balanced funds have a performance incentive adjustment that adjusts the level of management fees received, upward or downward, based on the fund's performance as measured against a designated external index of peers. This has a corresponding impact on management fee revenue. In 2008, revenues were adjusted downward by \$20.5 million due to performance incentive adjustments. We earn commissions for distributing the RiverSource Funds through sales charges (front-end or back-end loads) on certain classes of shares and distribution and servicing-related (12b-1) fees based on a percentage of fund assets, and receive intercompany allocation payments. This revenue is impacted by our overall asset levels.

The RiverSource family of funds also uses sub-advisors to diversify and enhance investment management expertise. Since the end of 2003, Threadneedle personnel have provided investment management services to RiverSource global and international equity funds. In addition to Threadneedle, unaffiliated sub-advisors provide investment management services to certain RiverSource funds.



## Table of Contents

At December 31, 2008, the *Seligman* family of open-ended mutual funds (which is managed within the structure of RiverSource Investments, but which continues to use the "Seligman" name) consisted of 56 funds with \$5.1 billion in managed assets. The three Seligman closed-end funds had \$1.2 billion in managed assets at December 31, 2008.

Threadneedle manages three UK-domiciled OEICs: Threadneedle Investment Funds ICVC ("TIF"), Threadneedle Specialist Investment Funds ICVC ("TSIF") and Threadneedle Focus Investment Funds ("TFIF"). TIF, TSIF and TFIF are structured as umbrella companies with a total of 48 (34, 13 and 1, respectively) sub funds covering the world's bond and equity markets as well as money market funds. In addition, Threadneedle manages 13 unit trusts, 11 of which invest into the OEICs, 5 property unit trusts, 1 Dublin-based cash OEIC and 1 property fund of funds. During the third quarter of 2008, Threadneedle began managing 2 new mutual funds in the U.S.

## Separately Managed Accounts

We provide investment management services to pension, profit-sharing, employee savings and endowment funds, accounts of large- and medium-sized businesses and governmental clients, as well as the accounts of high-net-worth individuals and smaller institutional clients, including tax-exempt and not-for-profit organizations. Our services include investment of funds on a discretionary or non-discretionary basis and related services including trading, cash management and reporting.

We offer various fixed income and equity investment strategies for our institutional separately managed accounts clients. Through an arrangement with Threadneedle and our affiliate Kenwood, we also offer certain international and U.S. equity strategies to U.S. clients.

For our investment management services, we generally receive fees based on the market value of managed assets pursuant to contracts that can typically be terminated by the client on short notice. Clients may also pay fees to us based on the performance of their portfolio. At December 31, 2008, we managed a total of \$2.6 billion in assets under this range of services.

## Management of Institutional Owned Assets

We provide investment management services and recognize management fees for certain assets on our Consolidated Balance Sheets, such as the assets held in the general account of our RiverSource Life companies, the RiverSource Variable Product funds held in the separate accounts of our RiverSource Life companies, and assets held by Ameriprise Certificate Company. Our fixed income team manages the general account assets to produce a consolidated and targeted rate of return on investments while controlling risk. Our fixed income and equity teams also manage separate account assets. The Asset Management segment's management of institutional owned assets for Ameriprise subsidiaries is reviewed by the boards of directors and staff functions of the applicable subsidiaries consistent with regulatory investment requirements. At December 31, 2008, the Asset Management segment managed \$32.5 billion of institutional owned assets, compared to \$33.1 billion at December 31, 2007.

## Management of Collateralized Debt Obligations ("CDOs")

We provide collateral management services to special purpose vehicles that issue CDOs through a dedicated team of investment professionals located in Los Angeles and Minneapolis. CDOs are securities collateralized by a pool of assets, primarily syndicated bank loans and, to a lesser extent, high yield bonds. Multiple tranches of securities are issued by a CDO, offering investors various maturity and credit risk characteristics. Scheduled payments to investors are based on the performance of the CDO's collateral pool. For collateral management of CDOs, we earn fees based on managed assets and, in certain instances, may also receive performance-based fees. At December 31, 2008, excluding CDO portfolios managed by Threadneedle, we managed \$6.9 billion of assets related to CDOs.

## Sub-Advisory Services

We act as sub-advisor for certain domestic and international mutual funds, and are pursuing opportunities to sub-advise additional investment company assets in the U.S. and overseas. As of December 31, 2008, we managed over \$1.3 billion in assets in a sub-advisory capacity.

## Hedge Funds

We provide investment advice and related services to private, pooled investment vehicles organized as limited partnerships, limited liability corporations or foreign (non-U.S.) entities. These funds are currently exempt from registration under the Investment Company Act of 1940 and are organized as domestic and foreign funds. For investment management services, we generally receive fees based on the market value of assets under management, as well as performance-based fees.





## Table of Contents

### Ameriprise Trust Collective Funds and Separately Managed Accounts

As of December 31, 2008, \$8.5 billion of RiverSource Trust Collective Funds and separate accounts were managed for Ameriprise Trust Company clients, compared to \$8.8 billion at December 31, 2007. This amount does not include the *RiverSource* family of mutual funds held in other retirement plans because these assets are included under assets managed for institutional and retail clients and within the "Asset Management Offerings Mutual Fund Families RiverSource, Threadneedle and Seligman" section above.

Collective funds are investment funds that are excepted from registration with the Securities and Exchange Commission ("SEC") and offered primarily through banks and other financial institutions to institutional clients such as retirement, pension and profit-sharing plans. We currently serve as investment manager to 51 Ameriprise Trust Company collective funds covering a broad spectrum of investment strategies. We receive fees for investment management services that are generally based upon a percentage of assets under management rather than performance-based fees. Ameriprise Trust continues to offer collective funds to retirement plans that were involved in the sale of the defined contribution recordkeeping business that we sold on June 1, 2006. In addition to RiverSource Funds and RiverSource Trust Collective Funds, Ameriprise Trust offers separately managed accounts to our retirement plan clients.

In addition to the investment management services described above, our trust company also acts as custodian, and one of our brokerage subsidiaries acts as broker, for individual retirement accounts, tax-sheltered custodial accounts and other retirement plans for individuals and small- and mid-sized businesses. At December 31, 2008, these tax-qualified assets totaled \$72.5 billion.

Prior to December 15, 2008, Ameriprise Trust Company provided institutional asset custodial services primarily to our affiliates providing mutual funds, face-amount certificates, asset management and life insurance. We received fees for our custody services that were generally based upon assets under custody as well as transaction-related fees for our institutional custody services. On December 15, 2008, we disposed of our trust company subsidiary's institutional asset custody business as part of our continued re-engineering efforts

### ***Institutional Distribution and Services***

We offer separately managed account services to a variety of institutional clients, including pension plans, employee savings plans, foundations, endowments, corporations, banks, trusts, governmental entities, high-net-worth individuals and not-for-profit organizations. We provide investment management services for insurance companies, including our insurance subsidiaries, as well as hedge fund management and other alternative investment products. These alternative investment products include CDOs available through our syndicated loan management group to our institutional clients. We provide a variety of services for our institutional clients that sponsor retirement plans. These services are provided primarily through our trust company subsidiary and one of our broker-dealer subsidiaries. We are enhancing our institutional capabilities, including funding institutional product development by our investment management teams and through the recent expansion of our institutional and sub-advisory sales teams. At December 31, 2008, we managed \$46.3 billion of assets for domestic institutional clients.

### ***International Distribution***

Outside the United States, Threadneedle leads our distribution, which is categorized along three lines: Retail, Institutional and Alternatives.

***Retail.*** The retail business line includes Threadneedle's European mutual fund family, which ranked as the ninth largest retail fund business in the United Kingdom in terms of assets under management at December 31, 2008, according to the Investment Management Association, a trade association for the UK investment management industry. Threadneedle sells mutual funds mostly in Europe through financial intermediaries and institutions. Threadneedle also offers its funds directly or within a multi-manager wrap through an independent UK distribution platform operated by Openwork Limited. Threadneedle provides sales and marketing support for these distribution channels. In February 2009, Threadneedle announced that it had signed a distribution agreement to become a strategic partner and global fund provider to Standard Chartered Bank.

***Institutional.*** Threadneedle's institutional business offers separately managed accounts to European and other international pension funds and other institutions as well as offering insurance funds. Threadneedle is expanding distribution of its institutional products in Scandinavia, Continental Europe, the Middle East and Asia. At December 31, 2008, Threadneedle had \$ 55.3 billion in managed assets in separately managed accounts (including " Zurich" assets, as described below) compared to \$100.1 billion at December 31, 2007.

## Table of Contents

**Alternatives.** The Alternatives section of Threadneedle's business consists of nine long/short equity funds, one currency fund, one commodities fund, three managed accounts for specific clients that follow hedge strategies, a fixed income hedge fund and four CDO funds. The hedge funds are sold primarily to banks and other managers of funds of hedge funds.

**Zurich.** Threadneedle's Zurich business comprises the asset management activities for Zurich Financial Services Group ("Zurich"). At December 31, 2008, Threadneedle had separately managed assets under management totaling \$45.2 billion for Zurich, compared to \$87.7 billion at December 31, 2007. Zurich is Threadneedle's single largest client and represented 61% of Threadneedle's assets under management as of December 31, 2008. However, the annual fees associated with these assets comprise a substantially lower portion of Threadneedle's revenue. Threadneedle provides investment management products and services to Zurich for assets generated by Zurich through the sale of its life insurance products, variable annuity, pension and general insurance products, as well as other assets on the balance sheet of Zurich. Threadneedle entered into an agreement with Zurich when we acquired Threadneedle for Threadneedle to continue to manage certain assets of Zurich. For investment management of the assets underlying Zurich's UK life insurance and pension policyholder products (which represent 98.7% of the assets managed for Zurich as of December 31, 2008), the initial term of the agreement is through October 2011. For investment management of Zurich's other assets, the initial term ended in October 2006 and was extended in connection with a restructuring of the portfolio and a move to more market-aligned rates and terms.

## **Our Segments Annuities**

Our Annuities segment provides RiverSource Life variable and fixed annuity products to retail clients primarily distributed through our affiliated financial advisors and to the retail clients of unaffiliated advisors through third-party distribution. Revenues for our variable annuity products are primarily earned as fees based on underlying account balances, which are impacted by both market movements and net asset flows. Revenues for our fixed annuity products are primarily earned as net investment income on assets supporting fixed account balances, with profitability significantly impacted by the spread between net investment income earned and interest credited on the fixed account balances. We also earn net investment income on owned assets supporting reserves for immediate annuities and for certain guaranteed benefits offered with variable annuities and on capital supporting the business. Intersegment revenues for this segment reflect fees paid by our Asset Management segment for marketing support and other services provided in connection with the availability of RiverSource Funds under the variable annuity contracts. Intersegment expenses for this segment include distribution expenses for services provided by our Advice & Wealth Management segment, as well as expenses for investment management services provided by our Asset Management segment. All intersegment activity is eliminated in our consolidated results. In 2008, 21% of our revenues from external clients were attributable to our Annuities business.

Our products include deferred variable and fixed annuities, in which assets accumulate until the contract is surrendered, the contractholder (or in some contracts, the annuitant) dies or the contractholder or annuitant begins receiving benefits under an annuity payout option. We also offer immediate annuities, in which payments begin within one year of issue and continue for life or for a fixed period of time. In addition to the revenues we generate on these products, which are described below, we also receive fees charged on assets allocated to our separate accounts to cover administrative costs, and a portion of the management fees from the underlying investment accounts in which assets are invested, as discussed below under "Variable Annuities." Investment management performance is critical to the profitability of our *RiverSource* annuity business as annuity holders have access to multiple investment options from third-party managers within the annuity.

Currently, our branded franchisee advisors and branded advisors employed by AFSI are the largest distributors of our products and generally do not offer products of our competitors. Our branded advisors employed by AASI and our independent advisors at SAI currently offer annuities from a broader array of insurance companies. In 2009 or 2010, we will expand offerings available to our branded advisors to include variable annuities issued by a limited number of unaffiliated insurance companies. Our RiverSource Distributors subsidiary serves as the principal underwriter and distributor of *RiverSource* annuities through AFSI, SAI, AASI and third-party channels such as banks and broker-dealer networks.

For the nine months ended September 30, 2008, our variable annuity products ranked eleventh in new sales according to Morningstar Annuity Research Center. We continue to expand distribution by delivering annuity products issued by the RiverSource Life companies through non-affiliated representatives and agents of third-party distributors.

We had \$9.2 billion of cash sales of *RiverSource* annuities in 2008, a decrease of 17% from 2007, as a result of a decrease in variable annuities sales, partially offset by an increase in fixed annuity sales. The relative proportion between fixed and variable annuity sales is generally driven by the relative performance of the equity and fixed income markets. In times of weak performance in equity markets, fixed sales are generally stronger. In times of superior performance in equity markets, variable sales are generally stronger.