

PRINCIPAL FINANCIAL SERVICES INC

Form 424B3

October 11, 2006

**Table of Contents**

This prospectus supplement and the information contained herein are subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. This prospectus supplement and the accompanying prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

**Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-111352**

**Subject to Completion, Dated October 11, 2006**

PROSPECTUS SUPPLEMENT  
(To Prospectus Dated June 24, 2004)

\$  
**PRINCIPAL FINANCIAL GROUP, INC.**  
% Senior Notes due  
Fully and Unconditionally Guaranteed by  
**PRINCIPAL FINANCIAL SERVICES, INC.**

We are offering \$ \_\_\_\_\_ of our % Senior Notes due \_\_\_\_\_ (the Notes). The Notes will bear interest at a rate of % per year. Interest on the Notes is payable on April 15 and October 15 of each year, beginning on April 15, 2007. The Notes will mature on \_\_\_\_\_, \_\_\_\_\_. We may redeem the Notes at any time at a make-whole redemption price described beginning on page S-14 under the caption Description of the Notes Optional Redemption.

The Notes will be fully and unconditionally guaranteed (the Subsidiary Guarantee) by our subsidiary, Principal Financial Services, Inc., which is an intermediary holding company whose assets include all of the outstanding shares of our principal operating companies.

The Notes will be our senior unsecured and unsubordinated obligations and will rank equally in right of payment with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. The Subsidiary Guarantee will be a senior unsecured and unsubordinated obligation of Principal Financial Services, Inc. and will rank equally in right of payment with all of its existing and future senior indebtedness and senior to all of its existing and future subordinated indebtedness.

*Investing in the Notes involves risks. See Risk Factors beginning on page S-5 of this prospectus supplement.*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

|   | Per Note | Total |
|---|----------|-------|
| Public Offering Price(1)                                      | %        | \$    |
| Underwriting Discount   | %        | \$    |
| Proceeds to Principal Financial Group, Inc. (before expenses) | %        | \$    |

(1) Plus accrued interest, if any, from October \_\_\_\_\_, 2006 to the date of delivery.

The underwriters expect to deliver the Notes to purchasers on or about October \_\_\_\_\_, 2006.

*Joint Book-Running Managers*

**Goldman, Sachs & Co.  
Citigroup**

**Merrill Lynch & Co.  
Credit Suisse**

**Morgan Stanley  
UBS Investment Bank**

*Co-Managers*

**A.G. Edwards**

**Banc of America Securities  
LLC**

**Lehman Brothers**

**Wachovia Securities**

October , 2006

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Table of Contents

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus and in any free writing prospectus filed by the Company with the Securities and Exchange Commission. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on the prospectus supplement. We and the underwriters have not authorized anyone to provide you with information that is different. This prospectus supplement and the accompanying prospectus may only be used where it is legal to sell these securities. The information in this prospectus supplement and the accompanying prospectus may only be accurate as of the date of this prospectus supplement, the accompanying prospectus or the information incorporated by reference herein or therein, and the information in any free writing prospectus may only be accurate as of the date of such free writing prospectus. Our business, financial condition, results of operations and/or prospects may have changed since those dates.

**TABLE OF CONTENTS**  
**Prospectus Supplement**

|  | <b>Page</b> |
|--|-------------|
| <u>Forward-Looking Statements</u>                            | iii         |
| <u>Prospectus Supplement Summary</u>                         | S-1         |
| <u>Risk Factors</u>  | S-5         |
| <u>Where You Can Find More Information</u>                   | S-7         |
| <u>Ratio of Earnings to Fixed Charges</u>                    | S-8         |
| <u>Capitalization</u>  | S-9         |
| <u>Use of Proceeds</u>                                       | S-10        |
| <u>Selected Financial Information</u>                        | S-11        |
| <u>Description of the Notes</u>                              | S-14        |
| <u>Certain United States Federal Income Tax Consequences</u> | S-21        |
| <u>Underwriting</u>  | S-23        |
| <u>Validity of the Notes</u>                                 | S-26        |
| <u>Experts</u>   | S-26        |

**Prospectus**

|  | <b>Page</b> |
|--|-------------|
| <u>About This Prospectus</u>   | i           |
| <u>Forward-Looking Statements</u>                                      | ii          |
| <u>Principal Financial Group, Inc.</u>                                 | 1           |
| <u>The Principal Capital Trusts</u>                                    | 2           |
| <u>Use of Proceeds</u>   | 5           |
| <u>Ratio of Earnings to Fixed Charges</u>                              | 5           |
| <u>Description of Guarantee of Principal Financial Services, Inc.</u>  | 6           |
| <u>Description of the Debt Securities</u>                              | 7           |
| <u>Description of Junior Subordinated Debentures</u>                   | 18          |
| <u>Description of Capital Stock of Principal Financial Group, Inc.</u> | 30          |
| <u>Description of Depositary Shares</u>                                | 36          |
| <u>Description of Warrants</u>   | 39          |
| <u>Description of Purchase Contracts and Purchase Units</u>            | 41          |

|  |    |
|--|----|
| <u>Description of Preferred Securities</u>   | 42 |
| <u>Description of Guarantee by Principal Financial Group, Inc. of the Preferred Securities</u> | 54 |

**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| <u>Description of Corresponding Junior Subordinated Debentures</u>   | 57          |
| <u>Relationship Among the Preferred Securities, the Corresponding Junior Subordinated Debentures and the Guarantees by Principal Financial Group, Inc. of the Preferred Securities</u> | 60          |
| <u>Plan of Distribution</u>  | 61          |
| <u>Legal Opinions</u>  | 62          |
| <u>Experts</u>   | 62          |
| <u>Where You Can Find More Information</u>   | 63          |
| <u>Incorporation by Reference</u>  | 63          |

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of Notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

Unless otherwise indicated, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to Principal, the Company, we, us and our or similar terms are to Principal Financial Group, Inc. and its subsidiaries. The underwriters refers to the financial institutions named on the front cover of this prospectus supplement.

We are offering the Notes for sale in those jurisdictions in the United States, and may offer the Notes in those jurisdictions in Europe, Asia and elsewhere, where it is lawful to make such offers. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons who receive this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See Underwriting.

You should read this entire prospectus supplement carefully, including the section entitled Risk Factors, our financial statements and the notes thereto incorporated by reference into this prospectus supplement, and the accompanying prospectus, before making an investment decision.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

Some of the statements contained in this prospectus supplement and the accompanying prospectus are forward-looking statements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and include estimates and assumptions related to economic, competitive and legislative developments. These forward-looking statements are subject to change and uncertainty which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on us will be those anticipated by management. Actual results could differ materially from those expected by us, depending on the outcome of various factors. These factors include:

a decline or increased volatility in the securities markets could result in investors withdrawing from the markets or decreasing their rates of investment, either of which could reduce our net income, revenues and assets under management;

our investment portfolio is subject to several risks which may diminish the value of our invested assets and affect our sales, profitability and the investment returns credited to our customers;

competition from companies that may have greater financial resources, broader arrays of products, higher ratings and stronger financial performance may impair our ability to retain existing customers, attract new customers and maintain our profitability;

a downgrade in the financial strength ratings of Principal Life Insurance Company (Principal Life), our subsidiary, may increase policy surrenders and withdrawals, reduce new sales and terminate relationships with distributors and cause some of our existing liabilities to be subject to acceleration, additional collateral support, changes in terms, or creation of additional financial obligations;

our efforts to reduce the impact of interest rate changes on our profitability and surplus may not be effective;

if we are unable to attract and retain sales representatives and develop new distribution sources, sales of our products and services may be reduced;

our international businesses face political, legal, operational and other risks that could reduce our profitability in those businesses;

our reserves established for future policy benefits and claims may prove inadequate, requiring us to increase liabilities;

our ability to pay stockholder dividends and meet our obligations may be constrained by the limitations on dividends Iowa insurance laws impose on Principal Life;

the pattern of amortizing our deferred policy acquisition costs on our Statement of Financial Accounting Standard No. 97 Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments products may change, impacting both the level of the asset and the timing of our operating earnings;

we may need to fund deficiencies in our closed block (Closed Block) assets which benefit only the holders of Closed Block policies;

changes in laws, regulations or accounting standards may reduce our profitability;

litigation and regulatory investigations may harm our financial strength and reduce our profitability;

iii

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**Table of Contents**

fluctuations in foreign currency exchange rates could reduce our profitability;

applicable laws and our stockholder rights plan, certificate of incorporation and by-laws may discourage takeovers and business combinations that our stockholders might consider in their best interests;

a downgrade in our debt ratings may adversely affect our ability to secure funds and cause some of our existing liabilities to be subject to acceleration, additional collateral support, changes in terms, or creation of additional financial obligations; and

the risk factors or uncertainties listed under **Risk Factors** in our Annual Report on Form 10-K for the year ended December 31, 2005, incorporated by reference in this prospectus supplement and the accompanying prospectus, and the risk factors or uncertainties listed under **Risk Factors** in this prospectus supplement.

iv

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Table of Contents**PROSPECTUS SUPPLEMENT SUMMARY****The Offering**

The offering terms of the Notes are summarized below solely for your convenience. This summary is not a complete description of the Notes. You should read the full text and more specific details contained elsewhere in this prospectus supplement and the accompanying prospectus. For a more detailed description of the Notes, see the discussion under the caption "Description of the Notes" beginning on page S-13 of this prospectus supplement.

|   |   |
|---|---|
| <b>Issuer</b>                               | Principal Financial Group, Inc.   |
| <b>Notes Offered</b>                        | \$ _____ aggregate principal amount of _____ % Senior Notes due _____   |
| <b>Maturity</b>                             | The Notes will mature on _____, _____.  |
| <b>Interest Payment Dates</b>               | April 15 and October 15 of each year, beginning April 15, 2007.   |
| <b>Subsidiary Guarantee</b>                 | The Notes will be fully and unconditionally guaranteed by our subsidiary, Principal Financial Services, Inc. See "Description of the Notes" Subsidiary Guarantee.   |
| <b>Record Dates</b>                         | The April 1 or October 1 of each year immediately preceding the related interest payment date.  |
| <b>Optional Redemption; No Sinking Fund</b> | The Notes may be redeemed at any time and from time to time, at our option, in whole or in part, as described in this prospectus supplement under the caption "Description of the Notes" Optional Redemption. The Notes will not have the benefit of any sinking fund.  |
| <b>No Listing</b>                           | The Notes will not be listed on any national securities exchange or included in any automated quotation system.   |
| <b>Ranking</b>                              | The Notes will be our senior unsecured and unsubordinated obligations and will rank equally in right of payment with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. The Subsidiary Guarantee will be a senior unsecured and unsubordinated obligation of Principal Financial Services, Inc. and will rank equally in right of payment with all of its existing and future senior indebtedness and senior to all of its existing and future subordinated indebtedness. |
| <b>Use of Proceeds</b>                      | We will use all or substantially all of the estimated approximately \$ _____ million in net proceeds from this offering to fund a portion of the purchase price for our pending acquisition of WM Advisors, Inc. The remainder of the net proceeds, if any, will be used for general corporate purposes. See "Use of Proceeds."   |
| <b>Covenants</b>                            | The Senior Indenture contains negative covenants that apply to us; however, the limitation on liens and the limitation on consolidation, merger and sale of assets contain important exceptions. See "Description of the  |



**Table of Contents**

tions upon Liens and Consolidation, Merger and Sale of Assets in the accompanying prospectus.

**Risk Factors**

See Risk Factors and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the Notes.

S-2

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**Table of Contents**

**The Company**

The Principal Financial Group is a leading provider of retirement savings, investment and insurance products and services with \$206.0 billion in assets under management and approximately 16 million customers worldwide as of June 30, 2006.

Our U.S. and international operations concentrate primarily on asset accumulation and management. In addition, we offer a broad range of individual and group life insurance, group health insurance, and individual and group disability insurance.

We primarily focus on small and medium sized businesses, which we define as companies with less than 1,000 employees, providing a broad array of retirement and employee benefit solutions to meet the needs of the business, the business owner and their employees. With over 31,000 plans, we are the leading provider of corporate defined contribution plans in the U.S., according to Spectrem Group. We are also the leading employee stock ownership plan consultant. In addition, we are a leading provider of nonqualified plans, defined benefit plans and plan termination annuities. We are also one of the largest providers of non-medical insurance product solutions.

We believe small and medium sized businesses are an underserved market, offering attractive growth opportunities in the U.S. in retirement services and other employee benefits. We also believe there is a significant opportunity to leverage our U.S. retirement expertise into select international markets that have adopted or are moving toward private sector defined contribution pension systems. This opportunity is particularly compelling as aging populations around the world are driving increased demand for retirement accumulation, retirement asset management, and retirement income management solutions.

We organize our business into the following operating segments: (1) U.S. Asset Management and Accumulation, which provides retirement and related financial products and services primarily to businesses, their employees and other individuals and provides asset management services to our asset accumulation business, the life and health insurance operations, the Corporate and Other segment and third-party clients; (2) International Asset Management and Accumulation, which provides retirement products and services, annuities, long-term mutual funds and life insurance through subsidiaries and joint ventures in various countries; and (3) Life and Health Insurance, which provides life insurance, health insurance as well as specialty benefits in the U.S. We also have a Corporate and Other segment, which consists of the assets and activities that have not been allocated to any other segment.

We were organized as an individual life insurer in 1879, formed a mutual insurance holding company in 1998, and Principal Financial Group, Inc. was organized on April 18, 2001, as a Delaware business corporation. Under the terms of Principal Mutual Holding Company's Plan of Conversion, Principal Mutual Holding Company converted from a mutual insurance holding company to a stock company subsidiary of Principal Financial Group, Inc., effective October 26, 2001, when we completed our initial public offering.

The principal executive office for Principal Financial Group, Inc. is located at 711 High Street, Des Moines, Iowa 50392, and the telephone number is (515) 247-5111.

**Table of Contents**

**Recent Development**

***Pending Acquisition of WM Advisors, Inc.***

On July 25, 2006, we entered into a stock purchase agreement with Washington Mutual, Inc., a Washington corporation, and New American Capital, Inc., a Delaware corporation, pursuant to which we will acquire all outstanding capital stock of WM Advisors, Inc., a Washington corporation ( WMA ), and its two subsidiaries, WM Funds Distributor, Inc. and WM Shareholder Services, Inc., in exchange for approximately \$740 million. The purchase price is subject to an adjustment at and after the closing based on (i) certain declines in revenues from services of WMA and its subsidiaries and (ii) certain decreases of revenues from services of WMA and its subsidiaries during a period of time following the closing.

The closing of the transaction, which is currently expected to occur in the fourth quarter of 2006, is subject to various conditions, including (i) the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (ii) approvals by the shareholders of certain funds sponsored by WMA or its affiliates, and (iii) other customary conditions to closing, including the execution and delivery of certain related transaction documents.

We will use all or substantially all of the net proceeds from this offering to fund a portion of the purchase price for our pending acquisition of WMA. The remainder of the net proceeds, if any, will be used for general corporate purposes.

Table of Contents

**RISK FACTORS**

In considering whether to purchase the Notes, you should carefully consider the information included or incorporated by reference in this prospectus supplement. In particular, you should carefully consider the factors listed in Forward-Looking Statements as well as the Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2005 which is incorporated by reference herein. In addition you should consider the following risk factors relating to the Notes:

**The Senior Indenture Does Not Limit the Amount of Indebtedness That We or Our Subsidiaries Can Issue.**

The Senior Indenture does not limit the amount of unsecured indebtedness (including under the Senior Indenture) or secured indebtedness that we or our subsidiaries can issue, except, with respect to secured indebtedness, to the extent set forth under the caption Description of the Debt Securities Limitation upon Liens in the accompanying prospectus. The Notes will be our senior unsecured and unsubordinated obligations and will rank equally in right of payment with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. As of June 30, 2006, Principal Financial Group, Inc. had no senior indebtedness that would have ranked equally in right of payment with the Notes. In addition, the Notes will be subordinated to any future secured indebtedness we issue, to the extent of the assets securing such indebtedness. As of June 30, 2006, Principal Financial Group, Inc. had no secured indebtedness outstanding.

The Subsidiary Guarantee will be a senior unsecured and unsubordinated obligation of Principal Financial Services, Inc. and will rank equally in right of payment with all of its existing and future senior indebtedness and senior to all of its existing and future subordinated indebtedness. As of June 30, 2006, Principal Financial Services, Inc. had approximately \$464 million of senior indebtedness that would have ranked equally in right of payment with the Subsidiary Guarantee. In addition, the Subsidiary Guarantee will be subordinated to any existing and future secured indebtedness Principal Financial Services, Inc. issues, to the extent of the assets securing such indebtedness. As of June 30, 2006, Principal Financial Services, Inc. had no secured indebtedness outstanding.

**Our Ability to Make Payments on the Notes Depends on Our Ability to Receive Dividends from Our Subsidiaries.**

We are an insurance holding company whose assets include all of the outstanding shares of common stock of Principal Financial Services, Inc. Principal Financial Services, Inc., an Iowa business corporation and the Subsidiary Guarantor, is an intermediary holding company whose assets include all of the outstanding shares of Principal Life and other subsidiaries. Principal Financial Services, Inc.'s ability to pay dividends and meet its obligations, including paying any debt service, including with respect to the Subsidiary Guarantee, depends upon the receipt of dividends from Principal Life. Iowa insurance laws impose limitations on the ability of Principal Life to pay dividends. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Dividends from Principal Life in our Annual Report on Form 10-K for the year ended December 31, 2005. Our ability to pay dividends and meet our obligations, including paying operating expenses and any debt service, including with respect to the Notes, depends upon the receipt of dividends from Principal Financial Services, Inc. and our other subsidiaries. However, Principal Financial Services, Inc. and each of our other subsidiaries are legally distinct entities and, while Principal Financial Services, Inc. will guarantee payments on the Notes, such guarantee is subject to risks as described under The Subsidiary Guarantee may be subject to challenge under fraudulent transfer laws.

**Table of Contents**

**The Notes Will Be Effectively Subordinated to All Existing and Future Liabilities of Our Subsidiaries.**

Because we are an insurance holding company, our rights and the rights of our creditors, including the holders of the Notes, to a share of the assets of any subsidiary upon the liquidation or recapitalization of such subsidiary will be subject to the prior claims of such subsidiary's creditors, except to the extent we may be a creditor with recognized claims against such subsidiary. Accordingly, the Notes will be effectively subordinated to all existing and future liabilities of our subsidiaries, and holders of the Notes should look only to our assets for payments on the Notes. As of June 30, 2006, our subsidiaries (excluding Principal Financial Services, Inc.) had approximately \$854 million of indebtedness that would have been effectively senior to the Notes.

Because Principal Financial Services, Inc. is an intermediary holding company, the rights of Principal Financial Services, Inc. and the rights of its creditors, including the holders of the Notes as beneficiaries of the Subsidiary Guarantee, to a share of the assets of any subsidiary upon the liquidation or recapitalization of such subsidiary will be subject to the prior claims of such subsidiary's creditors, except to the extent Principal Financial Services, Inc. may be a creditor with recognized claims against such subsidiary. Accordingly, the Subsidiary Guarantee will be effectively subordinated to all existing and future liabilities of its subsidiaries, and the holders of the Notes as beneficiaries of the Subsidiary Guarantee should only look to the assets of Principal Financial Services, Inc. for payment on the Subsidiary Guarantee. As of June 30, 2006, the subsidiaries of Principal Financial Services, Inc. had approximately \$854 million of indebtedness that would have been effectively senior to the Subsidiary Guarantee.

**There Is No Public Market for the Notes, so You May Be Unable to Sell the Notes.**

The Notes are a new series of securities for which there is currently no public market. Consequently, the notes may be relatively illiquid, and you may be unable to sell your Notes, or if you are able to sell your Notes, we cannot assure you as to the price at which you will be able to sell them. Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, economic conditions, our financial condition and the market for similar securities. We do not intend to apply for listing of the Notes on any securities exchange or for the inclusion of the Notes in any automated quotation system.

**The Subsidiary Guarantee May Be Subject to Challenge Under Fraudulent Transfer Laws.**

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a court could subordinate or void any guarantee if it found that the guarantee was incurred with actual intent to hinder, delay or defraud creditors or the guarantor did not receive fair consideration or reasonably equivalent value for the guarantee and the guarantor was any of the following: (i) insolvent or was rendered insolvent because of the guarantee; (ii) engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity. To the extent the Subsidiary Guarantee were to be voided as a fraudulent conveyance or held unenforceable for any other reason, holders of the Notes would cease to have any claim in respect of Principal Financial Services, Inc. and would be solely our creditors. In that event, the claims of the holders of the Notes against Principal Financial Services, Inc. would be subject to the prior payment of all liabilities of Principal Financial Services, Inc. There can be no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes relating to the voided Subsidiary Guarantee.



**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at <http://www.sec.gov>, from which interested persons can electronically access our filings with the SEC, including the registration statement to which this prospectus supplement relates (including the exhibits and schedules thereto).

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC prior to the termination of the offering under this prospectus supplement will automatically update and supersede this information. We incorporate by reference the documents listed below and all documents we file with the SEC pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), prior to the termination of the offering under this prospectus supplement:

(a) Our Current Reports on Form 8-K filed on January 31, 2006; February 9, 2006; March 6, 2006; March 15, 2006; May 19, 2006; July 26, 2006 (other than those portions furnished under Item 7.01 of Form 8-K); August 1, 2006; and August 28, 2006;

(b) Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006;

(c) Our Annual Report on Form 10-K for the fiscal year ended December 31, 2005; and

(d) Our Proxy Statement filed on March 31, 2006 for the 2006 Annual Meeting of Stockholders.

You may request a free copy of these filings by writing or telephoning the office of the Corporate Secretary, Principal Financial Group, Inc., 711 High Street, Des Moines, Iowa 50392, Telephone: (515) 247-5111.

S-7

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Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The following table shows our ratio of earnings to fixed charges for each of the periods indicated.

|  | <b>For the Six<br/>Months Ended<br/>June 30,</b> | <b>For the Years Ended December 31,</b> |             |             |             |             |
|--|--|---|-------------|-------------|-------------|-------------|
|  | <b>2006</b>                                      | <b>2005</b>                             | <b>2004</b> | <b>2003</b> | <b>2002</b> | <b>2001</b> |
| Ratio of earnings to fixed charges before interest credited on investment products | 10.9   | 11.1                                    | 9.5         | 7.5         | 4.5         | 3.2         |
| Ratio of earnings to fixed charges   | 2.3  | 2.1                                     | 2.0         | 1.9         | 1.4         | 1.3         |

We calculate the ratio of earnings to fixed charges before interest credited on investment products by dividing the sum of income from continuing operations before income taxes (BT), interest expense (I), interest factor of rental expense (IF) less undistributed income from equity investees (E) by the sum of interest expense (I), interest factor of rental expense (IF) and dividends on majority-owned subsidiary redeemable preferred securities (non-intercompany) (D). The formula for this ratio is:  $(BT+I+IF-E)/(I+IF+D)$ .

We calculate the ratio of earnings to fixed charges by dividing the sum of income from continuing operations before income taxes (BT), interest expense (I), interest factor of rental expense (IF) less undistributed income from equity investees (E) and the addition of interest credited on investment products (IC) by interest expense (I), interest factor of rental expense (IF), dividends on majority-owned subsidiary redeemable preferred securities (non-intercompany) (D) and interest credited on investment products (IC). The formula for this calculation is:  $(BT+I+IF-E+IC)/(I+IF+D+IC)$ . Interest credited on investment products includes interest paid on guaranteed investment contracts, funding agreements and other investment-only pension products. Similar to debt, these products have a total fixed return and a fixed maturity date.

Table of Contents**CAPITALIZATION**

The following table shows our consolidated capitalization as of June 30, 2006 (unaudited) and as adjusted for the sale of the Notes offered hereby.

**As of June 30, 2006**

|                      | <b>Actual</b> | <b>Percent of<br/>Total<br/>Capitalization</b> | <b>As<br/>Adjusted</b> | <b>Percent of Total<br/>Capitalization(1)</b> |
|----------------------|---------------|--|------------------------|---|
| Short-term debt      | \$ 424.4      | 5.2%   | \$ 424.4               | %   |
| % Senior Notes due   |               |  |                        |   |
| Long-term debt       | 894.2         | 11.0   | 894.2                  |   |
| Total debt           | 1,318.6       | 16.2   |                        |   |
| Stockholders equity  | 6,844.7       | 83.8   | 6,844.7                |   |
| Total capitalization | \$ 8,163.3    | 100.0%   | \$                     | 100.0%  |

(1) If the Notes offered hereby aggregate between \$350 million and \$500 million, total debt as a percentage of total capitalization as of June 30, 2006 would have been between 19.6% and 20.9%, respectively.

**Table of Contents**

**USE OF PROCEEDS**

Our net proceeds from this offering are estimated to be approximately \$ \_\_\_\_\_ million after deducting underwriting discounts and estimated offering expenses. We will use all or substantially all of these net proceeds to fund a portion of the purchase price for our pending acquisition of WMA. The remainder of the net proceeds, if any, will be used for general corporate purposes.

S-10

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**Table of Contents****SELECTED FINANCIAL INFORMATION**

The following table sets forth certain selected historical consolidated financial information of Principal Financial Group, Inc. We derived the consolidated financial information (except for amounts referred to as Other Supplemental Data ) for each of the years ended December 31, 2005, 2004 and 2003 and as of December 31, 2005 and 2004 from our audited consolidated financial statements and notes to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2005. This selected consolidated financial information should be read in conjunction with and is qualified by reference to these financial statements and the related notes. We derived the consolidated financial information (except for amounts referred to as Other Supplemental Data ) for the years ended December 31, 2002 and 2001 and as of December 31, 2003, 2002 and 2001 from our audited consolidated financial statements not included or incorporated by reference in this prospectus supplement or the accompanying prospectus. The selected consolidated financial information as of and for the six months ended June 30, 2006 and 2005 has been derived from the unaudited interim consolidated financial statements included in our Quarterly Report on Form 10-Q for the six months ended June 30, 2006. The following consolidated statements of operations and consolidated statements of position data have been prepared in conformity with accounting principles generally accepted in the United States of America ( US GAAP ).

| <b>As of or For the Six<br/>Months Ended</b> |                             | <b>As of or For the Year Ended December 31,</b> |                |                |                |                |
|--|-----------------------------|---|----------------|----------------|----------------|----------------|
| <b>June 30,<br/>2006(1)</b>                  | <b>June 30,<br/>2005(1)</b> | <b>2005(1)</b>                                  | <b>2004(1)</b> | <b>2003(1)</b> | <b>2002(1)</b> | <b>2001(1)</b> |

(Dollars and shares in millions, except for per share data and as otherwise indicated)

| <b>Statement of<br/>Operations Data:</b>                                  |                   |                   |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues:   |                   |                   |                   |                   |                   |                   |                   |
| Premiums and other considerations   | \$ 2,146.4        | \$ 1,883.0        | \$ 3,975.0        | \$ 3,710.0        | \$ 3,630.7        | \$ 3,877.8        | \$ 4,094.5        |
| Fees and other revenues   | 900.1             | 822.5             | 1,683.2           | 1,472.0           | 1,185.8           | 950.4             | 868.2             |
| Net investment income   | 1,763.8           | 1,629.9           | 3,360.7           | 3,224.0           | 3,229.4           | 3,173.1           | 3,327.6           |
| Net realized/unrealized capital gains (losses)                            | 29.8              | 8.7               | (11.2)            | (104.8)           | (63.2)            | (374.1)           | (491.9)           |
| <b>Total revenues</b>   | <b>\$ 4,840.1</b> | <b>\$ 4,344.1</b> | <b>\$ 9,007.7</b> | <b>\$ 8,301.2</b> | <b>\$ 7,982.7</b> | <b>\$ 7,627.2</b> | <b>\$ 7,798.4</b> |
| Income from continuing operations, net of related income taxes (benefits) | \$ 512.7          | \$ 428.5          | \$ 891.9          | \$ 700.9          | \$ 644.7          | \$ 446.4          | \$ 249.8          |
| Income (loss) from discontinued operations, net of related income         |                   | 15.9              | 27.1              | 130.4             | 105.0             | (23.2)            | 119.7             |

|   |          |          |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|----------|----------|
| taxes(2)  |          |          |          |          |          |          |          |
| Income before cumulative effect of accounting changes                   | 512.7    | 444.4    | 919.0    | 831.3    | 749.7    | 423.2    | 369.5    |
| Cumulative effect of accounting changes, net of related income taxes(3) |          |          |          | (5.7)    | (3.4)    | (280.9)  | (10.7)   |
| Net income  | \$ 512.7 | \$ 444.4 | \$ 919.0 | \$ 825.6 | \$ 746.3 | \$ 142.3 | \$ 358.8 |
| Preferred stock dividends(4)  | 16.5     |          | 17.7     |          |          |          |          |
| Net income available to common stockholders                             | \$ 496.2 | \$ 444.4 | \$ 901.3 | \$ 825.6 | \$ 746.3 | \$ 142.3 | \$ 358.8 |
| <b>Earnings per Common Share Data(5):</b>                               |          |          |          |          |          |          |          |
| Income from continuing operations, net of related income taxes:         |          |          |          |          |          |          |          |