AMERIPRISE FINANCIAL INC
Form 10-K
March 02, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ý 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 ý No o

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 o No ý

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 ý No o

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. o

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 ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(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 o No ý

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.

Class	Outstanding at February 13, 2009
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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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 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;

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- 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
Total	**$ 372.1**	**$ 479.8**

Our Principal Brands

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

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.

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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.

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.

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 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.

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

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.

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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.

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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

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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 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.

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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.

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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.

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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.

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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. The relative proportion between fixed and variable annuity sales is also influenced by product design and other factors.

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Variable Annuities

A variable annuity provides a contractholder with investment returns linked to underlying investment accounts of the contractholder's choice. These underlying investment options may include the RiverSource VP Funds previously discussed (see "Business Our Segments Asset Management Asset Management Offerings Mutual Fund Families RiverSource, Threadneedle and Seligman", above) as well as variable portfolio funds of other companies. *RiverSource* variable annuity products in force offer a fixed account investment option with guaranteed minimum interest crediting rates ranging up to 4% at December 31, 2008.

Our Portfolio Navigator asset allocation program is available under our variable annuities. The Portfolio Navigator program is designed to help a contract purchaser select an asset allocation model portfolio from the choices available under the program, based on the purchaser's stated investment time horizon, risk tolerance and investment goals. We believe the benefits of the Portfolio Navigator asset allocation program include a well-diversified annuity portfolio, disciplined, professionally created asset allocation models, simplicity and ease of use, access to multiple well-known money managers within each model portfolio and automatic rebalancing of the client's contract value on a quarterly basis. RiverSource Investments, our investment management subsidiary, designs and periodically updates the model portfolios under the Portfolio Navigator asset allocation program, based on recommendations from Morningstar Associates.

Contract purchasers can choose optional benefit provisions to their contracts to meet their needs, including enhanced guaranteed minimum death benefit ("GMDB"), guaranteed minimum withdrawal benefit ("GMWB") and guaranteed minimum accumulation benefit ("GMAB") provisions. Approximately one-third of RiverSource Life's overall variable annuity contracts include the GMWB or GMAB features. In general, these features can help protect contractholders and beneficiaries from a shortfall in death or living benefits due to a decline in the value of their underlying investment accounts.

The general account assets of our life insurance subsidiaries support the contractual obligations under the guaranteed benefit provisions the company issues (see "Business Our Segments Asset Management Asset Management Offerings Management of Institutional Owned Assets" above). As a result, we bear the risk that protracted under-performance of the financial markets could result in guaranteed benefit payments being higher than what current account values would support. Our exposure to risk from guaranteed benefits generally will increase when equity markets decline, as evidenced by the significant decline experienced in 2008. You can find a discussion of liabilities and reserves related to our annuity products in Note 2 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

RiverSource variable annuities provide us with fee-based revenue in the form of mortality and expense risk fees, marketing support and administrative fees, fees charged for optional features elected by the contractholder, and other contract charges. We receive marketing support payments from the VP Funds underlying our variable annuity products as well as Rule 12b-1 distribution and servicing-related fees from the VP Funds and the underlying funds of other companies. In addition, we receive marketing support payments from the affiliates of other companies' funds included as investment options in our *RiverSource* variable annuity products.

Fixed Annuities

RiverSource fixed annuity products provide a contractholder with cash value that increases by a fixed or indexed interest rate. We periodically reset rates at our discretion subject to certain policy terms establishing minimum guaranteed interest crediting rates. Our earnings from fixed annuities are based upon the spread between rates earned on assets purchased with fixed annuity deposits and the rates at which interest is credited to our *RiverSource* fixed annuity contracts.

We previously offered equity indexed annuities. In 2007, new sales were discontinued.

RiverSource fixed annuity contracts in force provide guaranteed minimum interest crediting rates ranging from 1.5% to 5.0% at December 31, 2008. New contracts issued provide guaranteed minimum interest rates in compliance with state laws providing for indexed guaranteed rates.

Liabilities and Reserves for Annuities

We maintain adequate financial reserves to cover the risks associated with guaranteed benefit provisions added to variable annuity contracts in addition to liabilities arising from fixed and variable annuity base contracts. You can find a discussion of liabilities and reserves related to our annuity products in Note 2 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

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Financial Strength Ratings

Our insurance company subsidiaries that issue *RiverSource* annuity products receive ratings from independent rating organizations. Ratings are important to maintaining public confidence in our insurance subsidiaries and our protection and annuity products. For a discussion of the financial strength ratings of our insurance company subsidiaries, see the "Our Segments Protection Financial Strength Ratings" section, below.

Third-Party Distribution Channels

RiverSource annuity products are offered to retail clients through third-party channels, such as Wachovia Securities, Inc., SunTrust Securities, Inc. and Wells Fargo Securities, Inc. As of December 31, 2008, we had distribution agreements for *RiverSource* annuity products in place with approximately 130 third parties, with annual cash sales of $1.7 billion in 2008.

Our Segments Protection

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. Life and disability income products are primarily distributed through our branded advisors. Our property-casualty products are sold direct, primarily through affinity relationships. We issue insurance policies through our life insurance subsidiaries and the Property Casualty companies (as defined below under "Ameriprise Auto & Home Insurance Products"). The primary sources of revenues for this segment are premiums, fees and charges that we receive to assume insurance-related risk. We earn net investment income on owned assets supporting insurance reserves and capital supporting the business. We also receive fees based on the level of assets supporting variable universal life separate account balances. This segment earns intersegment revenues from 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 universal life 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 consolidation. In 2008, 27% of our revenues from external clients were attributable to our Protection business.

RiverSource Insurance Products

Through the RiverSource Life companies, we are the issuers of both variable and fixed universal life insurance, traditional life insurance and disability income insurance. Universal life insurance is a form of permanent life insurance characterized by flexible premiums, flexible death benefits and unbundled pricing factors (i.e., mortality, interest and expenses). Traditional life insurance refers to whole and term life insurance policies that pay a specified sum to a beneficiary upon death of the insured for a fixed premium. Variable universal life insurance combines the premium and death benefit flexibility of universal life with underlying fund investment flexibility and the risks associated therewith.

Our sales of *RiverSource* individual life insurance in 2008, as measured by scheduled annual premiums, lump sum and excess premiums, consisted of 71% variable universal life, 22% fixed universal life and 7% traditional life. Our RiverSource Life companies issue only non-participating policies, which do not pay dividends to policyholders from the insurer's earnings.

Assets supporting policy values associated with fixed account life insurance and annuity products, as well as those assets associated with fixed account investment options under variable insurance and annuity products (collectively referred to as the "fixed accounts"), are part of the RiverSource Life companies' general accounts. Under fixed accounts, the RiverSource Life companies bear the investment risk. More information on the RiverSource Life companies' general accounts is found under "Business Our Segments Asset Management Asset Management Offerings Management of Institutional Owned Assets" above.

Variable Universal Life Insurance

We are a leader in variable universal life insurance. Variable universal life insurance provides life insurance coverage along with investment returns linked to underlying investment accounts of the policyholder's choice. Options may include, RiverSource VP Funds discussed above, as well as variable portfolio funds of other companies. RiverSource variable universal life insurance products in force offer a fixed account investment option with guaranteed minimum interest crediting rates ranging from 3.0% to 4.5% at December 31, 2008. For the nine months ended September 30, 2008, RiverSource Life ranked fifth in sales of variable universal life based on total premiums (according to the Tillinghast-Towers Perrin's Value survey).

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Fixed Universal Life Insurance and Traditional Whole Life Insurance

Fixed universal life and traditional whole life insurance policies do not subject the policyholder to the investment risks associated with variable universal life insurance.

RiverSource fixed universal life insurance products provide life insurance coverage and cash value that increases by a fixed interest rate. The rate is periodically reset at the discretion of the issuing company subject to certain policy terms relative to minimum interest crediting rates. RiverSource fixed universal life insurance policies in force provided guaranteed minimum interest crediting rates ranging from 3.0% to 5.0% at December 31, 2008. We also offer traditional whole life insurance, which combines a death benefit with a cash value that generally increases gradually over a period of years. We have sold very little traditional whole life insurance in recent years. Whole life accounts for less than 1% of our insurance sales.

Term Life Insurance

Term life insurance provides a death benefit, but it does not build up cash value. The policyholder chooses the term of coverage with guaranteed premiums at the time of issue. During the chosen term, we cannot raise premium rates even if claims experience deteriorates. At the end of the chosen term, coverage may continue with higher premiums until the maximum age is attained, or the policy expires with no value.

Disability Income Insurance

Disability income insurance provides monthly benefits to individuals who are unable to earn income either at their occupation at time of disability ("own occupation") or at any suitable occupation ("any occupation") for premium payments that are guaranteed not to change. Depending upon occupational and medical underwriting criteria, applicants for disability income insurance can choose "own occupation" and "any occupation" coverage for varying benefit periods. In some states, applicants may also choose various benefit provisions to help them integrate individual disability income insurance benefits with social security or similar benefit plans and to help them protect their disability income insurance benefits from the risk of inflation. For the nine months ended September 30, 2008, we were ranked as the eighth largest provider of individual (non-cancellable) disability income insurance based on premiums (according to LIMRA International®).

Long Term Care Insurance

As of December 31, 2002, the RiverSource Life companies discontinued underwriting long term care insurance. However, our branded financial advisors sell long term care insurance issued by other companies, including John Hancock Life Insurance Company and Genworth Life Insurance Company.

RiverSource Life and RiverSource Life of NY began in 2004 to file for approval to implement rate increases on most of their existing blocks of nursing home-only indemnity long term care insurance policies. Implementation of these rate increases began in early 2005 and continues. We have so far received approval for some or all requested increases in 50 states, with an average approved cumulative rate increase of 44.7% of premium on all such policies where an increase was requested.

RiverSource Life and RiverSource Life of NY began in 2007 to file for approval to implement rate increases on most of their existing blocks of comprehensive reimbursement long term care insurance policies. Implementation of these rate increases began in late 2007 and continues. We have so far received approval for some or all requested increases in 46 states, with an average approved cumulative rate increase of 15.8% of premium on all such policies where an increase was requested.

Additional rate increases may be sought with respect to these and other existing blocks of long term care insurance policies, in each case subject to regulatory approval.

Ameriprise Auto & Home Insurance Products

We offer personal auto, home and excess personal liability insurance products through IDS Property Casualty and its subsidiary, Ameriprise Insurance Company (the "Property Casualty companies"). Our Property Casualty companies provide personal auto, home and liability coverage to clients in 42 states and the District of Columbia.

Distribution and Marketing Channels

We offer the insurance products of our RiverSource Life companies almost exclusively through our branded financial advisors. Our branded franchisee advisors and branded advisors employed by AFSI offer insurance products issued predominantly by the RiverSource Life companies. In limited circumstances in which we do not offer comparable products, or based on risk rating or policy size, our branded advisors may offer insurance products of unaffiliated carriers. We also sell RiverSource Life insurance products through the AAC.

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Our Property Casualty companies do not have field agents; rather, we use co-branded direct marketing to sell our personal auto and home insurance products through alliances with commercial institutions and affinity groups, and directly to our clients and the general public. Termination of one or more of these alliances could adversely affect our ability to generate new sales and retain existing business. We also receive referrals through our financial advisor network. Our Property Casualty companies have a multi-year distribution agreement with Costco Insurance Agency, Inc., Costco's affiliated insurance agency. Costco members represented 77% of all new policy sales of our Property Casualty companies in 2008. Through other alliances, we market our property casualty products to certain consumers who have a relationship with Delta Air Lines and offer personal auto, home and liability insurance products to customers of Ford Motor Credit Company.

Reinsurance

We reinsure a portion of the insurance risks associated with our life, disability income and long term care insurance products through reinsurance agreements with unaffiliated reinsurance companies. We use reinsurance in order to limit losses, reduce exposure to large risks and provide additional capacity for future growth. To manage exposure to losses from reinsurer insolvencies, we evaluate the financial condition of reinsurers prior to entering into new reinsurance treaties and on a periodic basis during the terms of the treaties. Our insurance companies remain primarily liable as the direct insurers on all risks reinsured.

Generally, we reinsure 90% of the death benefit liability related to individual fixed and variable universal life and term life insurance products. As a result, the RiverSource Life companies typically retain and are at risk for, at most, 10% of each policy's death benefit from the first dollar of coverage for new sales of these policies, subject to the reinsurers fulfilling their obligations. The RiverSource Life companies began reinsuring risks at this level during 2001 (2002 for RiverSource Life of NY) for term life insurance and 2002 (2003 for RiverSource Life of NY) for individual fixed and variable universal life insurance. Policies issued prior to these dates are not subject to these reinsurance levels. Generally, the maximum amount of life insurance risk retained by the RiverSource Life companies is $1.5 million (increased from $750,000 during 2008) on a single life and $1.5 million on any flexible premium survivorship life policy. Risk on fixed and variable universal life policies is reinsured on a yearly renewable term basis. Risk on most term life policies starting in 2001 (2002 for RiverSource Life of NY) is reinsured on a coinsurance basis, a type of reinsurance in which the reinsurer participates proportionately in all material risks and premiums associated with a policy.

For existing long term care policies, RiverSource Life (and RiverSource Life of NY for 1996 and later issues) retained 50% of the risk and ceded on a coinsurance basis the remaining 50% of the risk to a subsidiary of Genworth Financial, Inc. ("Genworth"). As of December 31, 2008, RiverSource Life's credit exposure to Genworth under this reinsurance arrangement was approximately $1.2 billion. Genworth also serves as claims administrator for our long term care policies.

Generally, RiverSource Life companies retain at most $5,000 per month of risk per life on disability income policies sold on policy forms introduced in most states in October 2007 and they reinsure the remainder of the risk on a coinsurance basis with unaffiliated reinsurance companies. RiverSource Life companies retain all risk for new claims on disability income contracts sold on other policy forms. Our insurance companies also retain all risk on accidental death benefit claims and substantially all risk associated with waiver of premium provisions.

We also reinsure a portion of the risks associated with our personal auto and home insurance products through two types of reinsurance agreements with unaffiliated reinsurance companies, as follows:

- We purchase reinsurance with a limit of $4.6 million per loss, and we retain $400,000 per loss.

- We purchase catastrophe reinsurance and retain $10 million of loss per event with loss recovery up to $80 million per event.

See Note 10 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on reinsurance.

Liabilities and Reserves

We maintain adequate financial reserves to cover the insurance risks associated with the insurance products we issue. Generally, reserves represent estimates of the invested assets that our insurance companies need to hold to provide adequately for future benefits and expenses. For a discussion of liabilities and reserves related to our insurance products, see Note 2 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

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Financial Strength Ratings

Independent rating organizations rate our insurance subsidiaries. Their ratings are important to maintaining public confidence in our insurance subsidiaries and our protection and annuity products. Lowering of our insurance subsidiaries' ratings could have a material adverse effect on our ability to market our protection and annuity products and could lead to increased surrenders of these products. Rating organizations evaluate the financial soundness and claims-paying ability of insurance companies continually, and base their ratings on a number of different factors, including a strong market position in core products and market segments, excellent risk-adjusted capitalization and high quality investment portfolios. More specifically, the ratings assigned are developed from an evaluation of a company's balance sheet strength, operating performance and business profile. Balance sheet strength reflects a company's ability to meet its current and ongoing obligations to its contractholders and policyholders and includes analysis of a company's capital adequacy. The evaluation of operating performance centers on the stability and sustainability of a company's sources of earnings. The business profile component of the rating considers a company's mix of business, market position and depth and experience of management.

Information concerning the financial strength ratings for Ameriprise Financial, RiverSource Life and IDS Property Casualty can be found in Part II, Item 7 of this Annual Report on Form 10-K under the heading "Management's Discussion and Analysis Liquidity and Capital Resources".

Our Segments Corporate & Other

Our Corporate & Other segment consists of net investment income on corporate level assets, including excess capital held in RiverSource Life and other unallocated equity and other revenues from various investments as well as unallocated corporate expenses. This segment also included non-recurring costs in 2007 and 2006 associated with our separation from American Express, the last of which we expensed in 2007.

Competition

We operate in a highly competitive industry. Because we are a diversified financial services firm, we compete directly with a variety of financial institutions such as registered investment advisors, securities brokers, asset managers, banks and insurance companies depending on the type of product and service we are offering. We compete directly with these entities for the provision of products and services to clients, as well as for our financial advisors and investment management personnel. Our products and services also compete indirectly in the marketplace with the products and services of our competitors.

Our financial advisors compete for clients with a range of other advisors, broker-dealers and direct channels, including wirehouses, regional broker-dealers, independent broker-dealers, insurers, banks, asset managers, registered investment advisers and direct distributors.

To acquire and maintain owned, managed and administered assets, we compete against a substantial number of firms, including those in the categories listed above. Our mutual funds, like other mutual funds, face competition from other mutual fund families and alternative investment products such as exchange traded funds. Additionally, for mutual funds, high ratings from rating services such as Morningstar or Lipper, as well as favorable mention in financial publications, may influence sales and lead to increases in managed assets. As a mutual fund's assets increase, management fee revenue increases and the fund may achieve economies of scale that make it more attractive to investors because of potential resulting reductions in the fund's expense ratio. Conversely, low ratings and negative mention in financial publications can lead to outflows, which reduce management fee revenues and can impede achieving the benefits of economies of scale. Additionally, reputation and brand integrity are becoming increasingly more important as the mutual fund industry generally, and certain firms in particular, have come under regulatory and media scrutiny. Our mutual fund products compete against products of firms like Fidelity, American Funds and Oppenheimer. Competitive factors affecting the sale of mutual funds include investment performance in terms of attaining the stated objectives of the particular products and in terms of fund yields and total returns, advertising and sales promotional efforts, brand recognition, investor confidence, type and quality of services, fee structures, distribution, and type and quality of service.

Our brokerage subsidiaries compete with securities broker-dealers, independent broker-dealers, financial planning firms, registered investment advisors, insurance companies and other financial institutions in attracting and retaining members of the field force. Competitive factors in the brokerage services business include price, service and execution.

Competitors of our RiverSource Life companies and Property Casualty companies consist of both stock and mutual insurance companies, as well as other financial intermediaries marketing insurance products such as Hartford, MetLife, Prudential, Lincoln Financial, Principal Financial, Nationwide, Allstate and State Farm. Competitive factors affecting the sale of annuity products include price, product features, investment performance, commission structure, perceived financial strength, claims-paying ratings, service, brand recognition and distribution capabilities. Competitive factors affecting the sale of life and disability income insurance products include the cost of insurance and other contract charges, the level of premium rates and financial strength ratings from rating organizations such as A.M. Best. Competitive factors affecting the sale of property casualty insurance products include brand recognition, distribution capabilities and price.

Technology

We have an integrated customer management system, which serves as the hub of our technology platform. In addition, we have specialized recordkeeping engines that manage individual brokerage, mutual fund, insurance and banking client accounts. Over the years we have updated our platform to include new product lines such as brokerage, deposit, credit and products of other companies, wrap accounts and e-commerce capabilities for our financial advisors and clients. We also use a proprietary suite of processes, methods, and tools for our financial planning services. We update our technological capabilities regularly to help maintain an adaptive platform design that will allow a faster, lower-cost response to emerging business opportunities, compliance requirements and marketplace trends.

Most of our applications run on a technology infrastructure that we outsourced to IBM in 2002. Under this arrangement, IBM is responsible for all mainframe, midrange and end-user computing operations and a substantial portion of our web hosting and help desk operations. Also, we outsource our voice network operations to AT&T. In addition to these two arrangements, we have outsourced our production support and a portion of our development and maintenance of our computer applications to other firms.

We have developed a comprehensive business continuity plan that covers business disruptions of varying severity and scope and addresses the loss of a geographic area, building, staff, data systems and/or telecommunications capabilities. We review and test our business continuity plan on an ongoing basis and update it as necessary, and we require our key technology vendors and service providers to do the same. Under our business continuity plan, we expect to be able to continue doing business and to resume operations with minimal service impacts. However, under certain scenarios, the time that it would take for us to recover and to resume operations may significantly increase depending on the extent of the disruption and the number of personnel affected.

Geographic Presence

For years ended December 31, 2008, 2007 and 2006, over 96% of our long-lived assets were located in the United States and over 94% of our revenues were generated in the United States.

Employees

At December 31, 2008, we had 11,093 employees, including 2,823 employee branded advisors (which does not include our branded franchisee advisors or the unbranded advisors of SAI and its subsidiaries, none of whom are employees of our company). We are not subject to collective bargaining agreements, and we believe that our employee relations are strong.

Regulation

Most aspects of our business are subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by non-U.S. government agencies or regulatory bodies and securities exchanges. Our public disclosure, internal control environment and corporate governance principles are subject to the Sarbanes-Oxley Act of 2002, related regulations and rules of the SEC and the listed company requirements of The New York Stock Exchange, Incorporated.

We have implemented franchise and compliance standards and strive for a consistently high level of client service. For several years, we have used standards developed by the Certified Financial Planner Board of Standards, Inc., in our financial planning process. We also participated in developing the International Organization for Standardization ("ISO") 22222 Personal Financial Planning Standard published in December 2005. We put in place franchise standards and requirements for our franchisees regardless of location. We have made significant investments in our compliance processes, enhancing policies, procedures and oversight to monitor our compliance with the numerous legal and regulatory requirements applicable to our business, as described below. We expect to continue to make significant investments in our compliance efforts.

Investment companies and investment advisers are required by the SEC to adopt and implement written policies and procedures designed to prevent violation of the federal securities laws and to designate a chief compliance officer responsible for administering these policies and procedures. The SEC and the Financial Industry Regulatory Authority, commonly referred to as FINRA, have also heightened requirements for, and continued scrutiny of, the effectiveness of supervisory procedures

and compliance programs of broker-dealers, including certification by senior officers regarding the effectiveness of these procedures and programs.

Our Advice & Wealth Management business is regulated by the SEC, FINRA, the Commodity Futures Trading Commission, the National Futures Association, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision ("OTS"), state securities regulators and state insurance regulators. Additionally, the U.S. Departments of Labor and Treasury regulate certain aspects of our retirement services business. Because our independent contractor branded advisor platform is structured as a franchise system, we are also subject to Federal Trade Commission and state franchise requirements. Compliance with these and other regulatory requirements adds to the cost and complexity of operating our business.

AFSI and AASI are registered as broker-dealers and investment advisers with the SEC, are members of FINRA and do business as broker-dealers and investment advisers in all 50 states and the District of Columbia. AASI is also a member of the New York Stock Exchange. RiverSource Distributors, which serves as the principal underwriter and distributor of our annuities and insurance products and a principal underwriter and distributor of our mutual funds, is registered as a broker-dealer with the SEC, each of the 50 states and the District of Columbia, and is a member of FINRA. RiverSource Fund Distributors, Inc. is also a registered broker-dealer and FINRA member. AFSI, AASI and RiverSource Distributors are also licensed as insurance agencies under state law. The SEC and FINRA have stringent rules with respect to the net capital requirements and activities of broker-dealers. Our financial advisors and other personnel must obtain all required state and FINRA licenses and registrations. SEC regulations also impose notice requirements and capital limitations on the payment of dividends by a broker-dealer to a parent. Our subsidiary, AEIS, is also registered as a broker-dealer with the SEC and appropriate states, is a member of FINRA and the Boston Stock Exchange and a stockholder in the Chicago Stock Exchange. Two subsidiaries that use our independent financial advisor platform, SAI and Brecek & Young, are also registered as broker-dealers, are members of FINRA, and are licensed as insurance agencies under state law. Certain of our subsidiaries also do business as registered investment advisers and are regulated by the SEC and state securities regulators where required.

Ameriprise Certificate Company, our face-amount certificate company, is regulated as an investment company under the Investment Company Act of 1940, as amended. Ameriprise Certificate Company pays dividends to the parent company and is subject to capital requirements under applicable law and understandings with the SEC and the Minnesota Department of Commerce.

Our banking subsidiary, Ameriprise Bank, is subject to regulation by the OTS, which is the primary regulator of federal savings banks, and by the FDIC in its role as insurer of Ameriprise Bank's deposits. As its controlling company, we are a savings and loan holding company, and we are subject to supervision by the OTS. Furthermore, our ownership of Threadneedle subjects us to the European Union ("EU") Financial Conglomerates Directive to designate a global consolidated supervisory regulator, and we have designated the OTS for this purpose. Because of our status as a savings and loan holding company, our activities are limited to those that are financial in nature, and the OTS has authority to oversee our capital and debt, although there are no specific holding company capital requirements. Ameriprise Bank is subject to specific capital rules, and Ameriprise Financial has entered into a Source of Strength Agreement with Ameriprise Bank to reflect that it will commit such capital and managerial resources to support the subsidiary as the OTS may determine necessary under applicable regulations and supervisory standards. In the event of the appointment of a receiver or conservator for Ameriprise Bank, the FDIC would be entitled to enforce Ameriprise Financial's Source of Strength Agreement. If Ameriprise Bank's capital falls below certain levels, the OTS is required to take remedial actions and may take other actions, including the imposition of limits on dividends or business activities, and a directive to us to divest the subsidiary. Ameriprise Bank is also subject to limits on capital distributions, including payment of dividends to us and on transactions with affiliates. In addition, an array of community reinvestment, fair lending, and other consumer protection laws and regulations apply to Ameriprise Bank. Either of the OTS or the FDIC may bring administrative enforcement actions against Ameriprise Bank or its officers, directors or employees if any of them are found to be in violation of the law or engaged in an unsafe or unsound practice.

In addition, the SEC, OTS, U.S. Departments of Labor and Treasury, FINRA, other self-regulatory organizations and state securities, banking and insurance regulators may conduct periodic examinations. We may or may not receive advance notice of periodic examinations, and these examinations may result in administrative proceedings, which could lead to, among other things, censure, fine, the issuance of cease-and-desist orders or suspension or expulsion of a broker-dealer or an investment adviser and its officers or employees. Individual investors also can bring complaints against our company and can file those complaints with regulators.

Our Asset Management business is regulated by the SEC and the UK Financial Services Authority ("FSA"). Our European fund distribution activities are also subject to local country regulations. Our Australian CDO management business is regulated by the Australian Securities and Investment Commission ("ASIC").

Our trust company is primarily regulated by the Minnesota Department of Commerce (Banking Division) and is subject to capital adequacy requirements under Minnesota law. It may not accept deposits or make personal or commercial loans. As a provider of products and services to tax-qualified retirement plans and IRAs, certain aspects of our business, including the

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activities of our trust company, fall within the compliance oversight of the U.S. Departments of Labor and Treasury, particularly the Employee Retirement Income Security Act of 1974, commonly referred to as ERISA, and the tax reporting requirements applicable to such accounts.

The Minnesota Department of Commerce (Insurance Division), the Wisconsin Office of the Commissioner of Insurance and the New York State Insurance Department (the "Domiciliary Regulators") regulate certain of the RiverSource Life companies, IDS Property Casualty, and Ameriprise Insurance Company depending on each company's state of domicile, which affects both our Protection and Annuities segments. The New York State Insurance Department regulates RiverSource Life of NY. In addition to being regulated by their Domiciliary Regulators, our RiverSource Life companies and Property Casualty companies are regulated by each of the insurance regulators in the states where each is authorized to transact the business of insurance. Other states also regulate such matters as the licensing of sales personnel and, in some cases, the underwriting, marketing and contents of insurance policies and annuity contracts. The primary purpose of such regulation and supervision is to protect the interests of contractholders and policyholders. Financial regulation of our RiverSource Life companies and Property Casualty companies is extensive, and their financial and intercompany transactions (such as intercompany dividends, capital contributions and investment activity) are often subject to pre-notification and continuing evaluation by the Domiciliary Regulators. Virtually all states require participation in insurance guaranty associations which assess fees to insurance companies in order to fund claims of policyholders and contractholders of insolvent insurance companies.

The National Association of Insurance Commissioners ("NAIC") defines risk-based capital ("RBC") requirements for insurance companies. The RBC requirements are used by the NAIC and state insurance regulators to identify companies that merit regulatory actions designed to protect policyholders. Our RiverSource Life companies and Property Casualty companies would be subject to various levels of regulatory intervention should their total adjusted statutory capital fall below the RBC requirement. At the "company action level," defined as total adjusted capital level between 100% and 75% of the RBC requirement, an insurer must submit a plan for corrective action with its primary state regulator. The "regulatory action level," which is between 75% and 50% of the RBC requirement, subjects an insurer to examination, analysis and specific corrective action prescribed by the primary state regulator. If a company's total adjusted capital falls between 50% and 35% of its RBC requirement, referred to as "authorized control level," the insurer's primary state regulator may place the insurer under regulatory control. Insurers with total adjusted capital below 35% of the requirement will be placed under regulatory control.

RiverSource Life, RiverSource Life of NY, IDS Property Casualty and Ameriprise Insurance Company maintain capital well in excess of the company action level required by their state insurance regulators. For RiverSource Life, the company action level RBC was $551 million as of December 31, 2008, and the corresponding total adjusted capital was $2.7 billion, which represents 494% of company action level RBC. For RiverSource Life of NY, the company action level RBC was $58 million as of December 31, 2008, and the corresponding total adjusted capital was $229 million, which represents 395% of company action level RBC. As of December 31, 2008, the company action level RBC was $124 million for IDS Property Casualty and $2 million for Ameriprise Insurance Company. As of December 31, 2008, IDS Property Casualty had $436 million of total adjusted capital, or 352% of the company action level RBC, and Ameriprise Insurance Company had $47 million of total adjusted capital, or 2350% of the company action level RBC.

At the federal level, there is periodic interest in enacting new regulations relating to various aspects of the insurance industry, including taxation of annuities and life insurance policies, accounting procedures, the use of travel in underwriting, and the treatment of persons differently because of gender with respect to terms, conditions, rates or benefits of an insurance policy. Adoption of any new federal regulation in any of these or other areas could potentially have an adverse effect upon our RiverSource Life companies.

The instability and decline in global financial markets experienced during 2008 and through the present time have resulted in an unprecedented amount of government intervention in financial markets, including direct investment in financial institutions. Governments and regulators in the U.S. and abroad are considering or have implemented new and more expansive laws and regulations which may directly impact our businesses. Additional discussion of potential risks arising from enactment of new regulations can be found in Item 1A of this Annual Report on Form 10-K "Risk Factors."

Client Information

Many aspects of our business are subject to increasingly comprehensive legal requirements by a multitude of different functional regulators concerning the use and protection of personal information, particularly that of clients, including those adopted pursuant to the Gramm-Leach-Bliley Act, the Fair and Accurate Credit Transactions Act, an ever increasing number of state laws, and the European Union data protection legislation ("EU law") as domestically implemented in the respective EU member states. We have implemented policies and procedures in response to such requirements in the UK. We continue our efforts to safeguard the data entrusted to us in accordance with applicable law and our internal data protection policies, including taking steps to reduce the potential for identity theft or other improper use or disclosure of personal information, while seeking to collect and use data to properly achieve our business objectives and to best serve our clients.

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General

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act, commonly referred to as the USA Patriot Act, was enacted in October 2001 in the wake of the September 11th terrorist attacks. The USA Patriot Act broadened substantially existing anti-money laundering legislation and the extraterritorial jurisdiction of the United States. In response, we have enhanced our existing anti-money laundering programs and developed new procedures and programs. For example, we have implemented a customer identification program applicable to many of our businesses and have enhanced our "know your customer" and "enhanced due diligence" programs in others. In addition, we have taken and will take steps to comply with anti-money laundering legislation in the UK derived from applicable EU directives and to take account of international initiatives adopted in other jurisdictions in which we conduct business.

We have operations in the EU through Threadneedle and certain of our other subsidiaries. We monitor developments in EU legislation, as well as in the other markets in which we operate, to ensure that we comply with all applicable legal requirements, including EU directives applicable to financial institutions as implemented in the various member states. Because of the mix of Asset Management, Advice & Wealth Management, Annuities and Protection activities we conduct, we will be addressing the EU Financial Conglomerates Directive, which contemplates that certain financial conglomerates involved in banking, insurance and investment activities will be subject to a system of supplementary supervision at the level of the holding company constituting the financial conglomerate. The directive requires financial conglomerates to, among other things, implement measures to prevent excessive leverage and multiple leveraging of capital and to maintain internal control processes to address risk concentrations as well as risks arising from significant intragroup transactions. We have designated the OTS as our global consolidated supervisory regulator under the EU Financial Conglomerates Directive.

SECURITIES EXCHANGE ACT REPORTS AND ADDITIONAL INFORMATION

We maintain an Investor Relations website at ir.ameriprise.com and we make available free of charge our annual, quarterly and current reports and any amendments to those reports as soon as reasonably practicable following the time they are electronically filed with or furnished to the SEC. To access these and other documents, click on the "SEC Filings" link found on our Investor Relations homepage.

You can also access our Investor Relations website through our main website at ameriprise.com by clicking on the "Investor Relations" link, which is located at the bottom of our homepage or by visiting ir.ameriprise.com. Information contained on our website is not incorporated by reference into this report or any other report filed with the SEC.

SEGMENT INFORMATION AND CLASSES OF SIMILAR SERVICES

You can find information regarding our operating segments and classes of similar services in Note 26 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 1A. Risk Factors.

If any of the following risks and uncertainties develop into actual events, these events could have a material adverse effect on our business, financial condition or results of operations. In such case, the trading price of our common stock could decline. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company in each of these categories of risk. However, the risks and uncertainties our company faces are not limited to those described below. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

Risks Relating to Our Business

Our financial condition and results of operations may be adversely affected by market fluctuations and by economic and other factors.

Our financial condition and results of operations may be materially affected by market fluctuations and by economic and other factors. Many such factors of a global or localized nature include: political, economic and market conditions; the availability and cost of capital; the level and volatility of equity prices, commodity prices and interest rates, currency values and other market indices; technological changes and events; the availability and cost of credit; inflation; investor sentiment and confidence in the financial markets; terrorism events and armed conflicts; and natural disasters such as weather catastrophes and widespread health emergencies. Furthermore, changes in consumer economic variables, such as the number and size of personal bankruptcy filings, the rate of unemployment, decreases in property values, and the level of

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consumer confidence and consumer debt, may substantially affect consumer loan levels and credit quality, which, in turn, could impact the results of our banking business. These factors also may have an impact on our ability to achieve our strategic objectives.

Our businesses have been and may continue to be adversely affected by the current U.S. and global capital market and credit crises, the repricing of credit risk, equity market volatility and decline, and stress or recession in the U.S. and global economies generally. Over approximately the past eighteen months, difficulties in the mortgage and broader capital markets in the United States and elsewhere, coupled with the repricing of credit risk, have created extremely difficult market conditions. These conditions, as well as instability in global equity markets with a significant decline in stock prices, have produced greater volatility, less liquidity, variability of credit spreads and a lack of price transparency. Market conditions have significantly impacted certain structured investment vehicles and other structured credit products, which have experienced rapid deterioration in value and/or failures to meet scheduled payments based on declines in the market value of underlying collateral pools, increased costs or unavailability of credit default hedges or liquidity to their structures, and/or the triggering of covenants that accelerate the amortization or liquidation of these structures. Each of our segments operates in these markets with exposure for ourselves and our clients in securities, loans, derivatives, alternative investments, seed capital and other commitments. It is difficult to predict how long these conditions will exist, which of our markets, products and businesses will continue to be directly affected in revenues, management fees and investment valuations and earnings, and to what extent our clients may seek to bring claims arising out of investment performance. As a result, these factors could materially adversely impact our results of operations.

Certain of our insurance and annuity products and certain of our investment and banking products are sensitive to interest rate fluctuations, and our future costs associated with such variations may differ from our historical costs. In addition, interest rate fluctuations could result in fluctuations in the valuation of certain minimum guaranteed benefits contained in some of our variable annuity products. Although we typically hedge against such fluctuations, significant changes in interest rates could have a material adverse impact on our results of operations.

During periods of increasing market interest rates, we must offer higher crediting rates on interest-sensitive products, such as fixed universal life insurance, fixed annuities, face-amount certificates and certificates of deposit, and we must increase crediting rates on in force products to keep these products competitive. Because returns on invested assets may not increase as quickly as current interest rates, we may have to accept a lower spread and thus lower profitability or face a decline in sales and greater loss of existing contracts and related assets. In addition, increases in market interest rates may cause increased policy surrenders, withdrawals from life insurance policies, annuity contracts and certificates of deposit and requests for policy loans, as policyholders, contractholders and depositors seek to shift assets to products with perceived higher returns. This process may lead to an earlier than expected outflow of cash from our business. Also, increases in market interest rates may result in extension of certain cash flows from structured mortgage assets. These withdrawals and surrenders may require investment assets to be sold at a time when the prices of those assets are lower because of the increase in market interest rates, which may result in realized investment losses. Increases in crediting rates, as well as surrenders and withdrawals, could have an adverse effect on our financial condition and results of operations. An increase in surrenders and withdrawals also may require us to accelerate amortization of deferred acquisition costs or other intangibles or cause an impairment of goodwill, which would increase our expenses and reduce our net earnings.

During periods of falling interest rates, our spread may be reduced or could become negative, primarily because some of our products have guaranteed minimum crediting rates. Due to the long-term nature of the liabilities associated with certain of our businesses, such as fixed annuities and guaranteed benefits on variable annuities, sustained declines in long-term interest rates may subject us to reinvestment risks and increased hedging costs.

Interest rate fluctuations also could have an adverse effect on the results of our investment portfolio. During periods of declining market interest rates, the interest we receive on variable interest rate investments decreases. In addition, during those periods, we are forced to reinvest the cash we receive as interest or return of principal on our investments in lower-yielding high-grade instruments or in lower-credit instruments to maintain comparable returns. Issuers of certain callable fixed income securities also may decide to prepay their obligations in order to borrow at lower market rates, which increases the risk that we may have to invest the cash proceeds of these securities in lower-yielding or lower-credit instruments.

Significant downturns and volatility in equity markets such as we are currently experiencing have had and could continue to have an adverse effect on our financial condition and results of operations. Market downturns and volatility may cause, and have caused, potential new purchasers of our products to refrain from purchasing products, such as mutual funds, variable annuities and variable universal life insurance, which have returns linked to the performance of the equity markets. If we are unable to offer appropriate product alternatives which encourage customers to continue purchasing in the face of actual or perceived market volatility, our sales and management fee revenues could decline. Downturns may also cause current shareholders in our mutual funds and contractholders in our annuity products and policyholders in our protection products to withdraw cash values from those products.

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Additionally, downturns and volatility in equity markets can have, and have had, an adverse effect on the revenues and returns from our asset management services, wrap accounts and variable annuity contracts. Because the profitability of these products and services depends on fees related primarily to the value of assets under management, declines in the equity markets will reduce our revenues because the value of the investment assets we manage will be reduced. In addition, some of our variable annuity products contain guaranteed minimum death benefits and guaranteed minimum withdrawal and accumulation benefits. A significant equity market decline or volatility in equity markets such as we have experienced, could result in guaranteed minimum benefits being higher than what current account values would support, thus producing a loss as we pay the benefits, having an adverse effect on our financial condition and results of operations. Although we have hedged a portion of the guarantees for the variable annuity contracts in order to mitigate the financial loss of equity market declines or volatility, there can be no assurance that such a decline or volatility would not materially impact the profitability of certain products or product lines or our financial condition or results of operations. Further, the cost of hedging our liability for these guarantees has increased significantly in recent periods as a result of low interest rates and continuing volatility in the equity markets. In addition, continued heightened volatility creates greater uncertainty for future hedging effectiveness.

We believe that investment performance is an important factor in the growth of many of our businesses. Poor investment performance could impair our revenues and earnings, as well as our prospects for growth. A significant portion of our revenue is derived from investment management agreements with the RiverSource family of mutual funds that are terminable on 60 days' notice. In addition, although some contracts governing investment management services are subject to termination for failure to meet performance benchmarks, institutional and individual clients can terminate their relationships with us or our financial advisors at will or on relatively short notice. Our clients can also reduce the aggregate amount of managed assets or shift their funds to other types of accounts with different rate structures, for any number of reasons, including investment performance, changes in prevailing interest rates, changes in investment preferences, changes in our (or our financial advisors') reputation in the marketplace, changes in client management or ownership, loss of key investment management personnel and financial market performance. A reduction in managed assets, and the associated decrease in revenues and earnings, could have a material adverse effect on our business. Moreover, certain money market funds we advise carry net asset protection mechanisms, which can be triggered by a decline in market value of underlying portfolio assets. This decline could cause us to contribute capital to the funds without consideration, which would result in a loss.

In addition, during periods of unfavorable market or economic conditions, the level of individual investor participation in the global markets may also decrease, which would negatively impact the results of our retail businesses. Concerns about current market and economic conditions, declining real estate values and decreased consumer confidence have caused some of our clients to reduce the amount of business that they do with us. We cannot predict when conditions and consumer confidence will improve, nor can we predict the duration or ultimate severity of decreased customer activity. Fluctuations in global market activity could impact the flow of investment capital into or from assets under management and the way customers allocate capital among money market, equity, fixed maturity or other investment alternatives, which could negatively impact our Asset Management, Advice & Wealth Management and Annuities businesses. Also, during periods of unfavorable economic conditions such as the recession currently being experienced in the U.S. economy and other economies, unemployment rates can increase and have increased, which can result in higher loan delinquency and default rates, and this can have a negative impact on our banking business. Uncertain economic conditions and heightened market volatility may also increase the likelihood that clients or regulators present or threaten legal claims, that regulators may increase the frequency and scope of their examinations of us or the financial services industry generally, and that lawmakers enact new requirements which have a material impact on our revenues, expenses or statutory capital requirements.

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, access to capital and cost of capital.

The capital and credit markets have been experiencing extreme volatility and disruption. In some cases, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain issuers. We need liquidity to pay our operating expenses, interest expenses and dividends on our capital stock. Without sufficient liquidity, we could be required to curtail our operations, and our business would suffer.

We maintain a level of cash and securities which, combined with expected cash inflows from investments and operations, is believed adequate to meet anticipated short-term and long-term benefit and expense payment obligations. In the event current resources are insufficient to satisfy our needs, we may need to rely on financing sources such as bank debt. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that our shareholders, customers or lenders could develop a negative perception of our long- or short-term financial prospects if we incur large investment losses or if the level of our business activity decreases due to a market downturn. Similarly, our access to funds may be impaired if regulatory authorities or rating organizations take negative actions against us.

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Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital required to operate our business. Such market conditions may limit our ability to satisfy statutory capital requirements; generate fee income and market-related revenue to meet liquidity needs; and access the capital necessary to grow our business. As such, we may be forced to delay raising capital, issue different types of capital than we would otherwise, less effectively deploy such capital, or bear an unattractive cost of capital which could decrease our profitability and significantly reduce our financial flexibility.

The impairment of other financial institutions could adversely affect us.

We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, hedge funds, insurers, reinsurers and other investment funds and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty. In addition, with respect to secured transactions, our credit risk may be exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices insufficient to recover the full amount of the loan or derivative exposure due to it. We also have exposure to these financial institutions in the form of unsecured debt instruments, derivative transactions (including with respect to derivatives hedging our exposure on variable annuity contracts with guaranteed benefits), reinsurance and underwriting arrangements and equity investments. There can be no assurance that any such losses or impairments to the carrying value of these assets would not materially and adversely impact our business and results of operations. Downgrades in the credit or financial strength ratings assigned to the counterparties with whom we transact could create the perception that our financial condition will be adversely impacted as a result of potential future defaults by such counterparties. Additionally, we could be adversely affected by a general, negative perception of financial institutions caused by the downgrade of other financial institutions. Accordingly, ratings downgrades for other financial institutions could affect our market capitalization and could limit access to or increase the cost of capital for us.

The failure of other insurers could require us to pay higher assessments to state insurance guaranty funds.

Our insurance companies are required by law to be members of the guaranty fund association in every state where they are licensed to do business. In the event of insolvency of one or more unaffiliated insurance companies, our insurance companies could be adversely affected by the requirement to pay assessments to the guaranty fund associations.

Third-party defaults, bankruptcy filings, legal actions and other events may limit the value of or restrict our access and our clients' access to cash and investments.

The extreme capital and credit market volatility that we continue to experience has exacerbated the risk of third-party defaults, bankruptcy filings, foreclosures, legal actions and other events that may limit the value of or restrict our access and our clients' access to cash and investments. Although we are not required to do so, we have elected in the past, and we may elect in the future, to compensate clients for losses incurred in response to such events, provide clients with temporary credit or liquidity or other support related to products that we manage, or provide credit liquidity or other support to the financial products we manage. Any such election to provide support may arise from factors specific to our clients, our products or industry-wide factors. If we elect to provide additional support, we could incur losses from the support we provide and incur additional costs, including financing costs, in connection with the support. These losses and additional costs could be material and could adversely impact our results of operations. If we were to take such actions we may also restrict or otherwise utilize our corporate assets, limiting our flexibility to use these assets for other purposes, and may be required to raise additional capital.

Governmental initiatives intended to address capital market and general economic conditions may not be effective and may give rise to additional requirements for our business, including new capital requirements or other regulations, that could materially impact our results of operations, financial condition and liquidity in ways that we cannot predict.

Legislation has been passed in the United States and abroad in an attempt to address the instability in global financial markets. The U.S. federal government, Federal Reserve and other U.S. and foreign governmental and regulatory bodies have taken or are considering taking other actions to address the financial crisis, including future investments in other financial institutions and creation of a federal systemic risk regulator. This legislation or similar proposals may fail to stabilize the financial markets or the economy generally. This legislation and other proposals or actions may also have other consequences, including substantially higher compliance costs as well as material effects on interest rates and foreign exchange rates, which could materially impact our investments, results of operations and liquidity in ways that we cannot predict. In addition, prolonged government support for, and intervention in the management of, private institutions could distort customary and expected commercial behavior on the part of those institutions, adversely impacting us.

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In addition, we are subject to extensive laws and regulations that are administered and enforced by different governmental authorities and non-governmental self-regulatory organizations, including foreign regulators, state securities and insurance regulators, the SEC, the New York Stock Exchange, FINRA, the OTS, the U.S. Department of Justice and state attorneys general. Current financial conditions have prompted or may prompt some of these authorities to consider additional regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their authority in new or more expansive ways and the U.S. government may create additional regulators or materially change the authorities of existing regulators. All of these possibilities, if they occurred, could impact the way we conduct our business and manage our capital, and may require us to satisfy increased capital requirements, which in turn could materially impact our results of operations, financial condition and liquidity.

Defaults in our fixed maturity securities portfolio or consumer credit products would adversely affect our earnings.

Issuers of the fixed maturity securities that we own may default on principal and interest payments. As of December 31, 2008, 5% of our invested assets had ratings below investment-grade. Moreover, economic downturns and corporate malfeasance can increase the number of companies, including those with investment-grade ratings, that default on their debt obligations. Default-related declines in the value of our fixed maturity securities portfolio or consumer credit products could cause our net earnings to decline and could also cause us to contribute capital to some of our regulated subsidiaries, which may require us to obtain funding during periods of unfavorable market conditions such as we are experiencing now. Higher delinquency and default rates in our bank's loan portfolio could require us to contribute capital to Ameriprise Bank and may result in additional restrictions from our regulators that impact the use and access to that capital.

If the counterparties to our reinsurance arrangements or to the derivative instruments we use to hedge our business risks default, we may be exposed to risks we had sought to mitigate, which could adversely affect our financial condition and results of operations.

We use reinsurance to mitigate our risks in various circumstances as described in Item 1 of this Annual Report on Form 10-K "Business Our Segments Protection Reinsurance." Reinsurance does not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. Accordingly, we bear credit and performance risk with respect to our reinsurers. A reinsurer's insolvency or its inability or unwillingness to make payments under the terms of our reinsurance agreement could have a material adverse effect on our financial condition and results of operations. See Notes 2 and 10 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

In addition, we use a variety of derivative instruments (including options, forwards, and interest rate and currency swaps) with a number of counterparties to hedge business risks. The amount and breadth of exposure to derivative counterparties, as well as the cost of derivative instruments, have increased significantly in connection with our strategies to hedge guaranteed benefit obligations under our variable annuity products. If our counterparties fail to honor their obligations under the derivative instruments in a timely manner, our hedges of the related risk will be ineffective. That failure could have a material adverse effect on our financial condition and results of operations. This risk of failure of our hedge transactions may be increased by capital market volatility, such as the volatility that has been experienced over the past eighteen months.

The determination of the amount of allowances and impairments taken on certain investments is subject to management's evaluation and judgment and could materially impact our results of operations or financial position.

The determination of the amount of allowances and impairments vary by investment type and is based upon our periodic evaluation and assessment of inherent and known risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. Historical trends may not be indicative of future impairments or allowances.

The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value that considers a wide range of factors about the security issuer and management uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential, which assumptions and estimates are more difficult to make with certainty under current market conditions.

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Our valuation of fixed maturity and equity securities may include methodologies, estimations and assumptions which are subject to differing interpretations and could result in changes to investment valuations that may materially adversely impact our results of operations or financial condition.

Fixed maturity, equity, trading securities and short-term investments, which are reported at fair value on the consolidated balance sheets, represent the majority of our total cash and invested assets. The determination of fair values by management in the absence of quoted market prices is based on: (i) valuation methodologies; (ii) securities we deem to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. Factors considered in estimating fair value include: coupon rate, maturity, estimated duration, call provisions, sinking fund requirements, credit rating, industry sector of the issuer, and quoted market prices of comparable securities. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts.

During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, more securities may require additional subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation as well as valuation methods which are more sophisticated or require greater estimation, thereby resulting in values which may be less than the value at which the investments may be ultimately sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within our consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

Some of our investments are relatively illiquid.

We invest a portion of our owned assets in certain privately placed fixed income securities, mortgage loans, policy loans, limited partnership interests, collateralized debt obligations and restricted investments held by securitization trusts, among others, all of which are relatively illiquid. These asset classes represented 15% of the carrying value of our investment portfolio as of December 31, 2008. If we require significant amounts of cash on short notice in excess of our normal cash requirements, we may have difficulty selling these investments in a timely manner or be forced to sell them for an amount less than we would otherwise have been able to realize, or both, which could have an adverse effect on our financial condition and results of operations.

Intense competition and the economics of changes in our product revenue mix and distribution channels could negatively impact our ability to maintain or increase our market share and profitability.

Our businesses operate in intensely competitive industry segments. We compete based on a number of factors, including name recognition, service, the quality of investment advice, investment performance, product features, price, perceived financial strength, and claims-paying and credit ratings. Our competitors include broker-dealers, banks, asset managers, insurers and other financial institutions. Many of our businesses face competitors that have greater market share, offer a broader range of products, have greater financial resources, or have higher claims-paying or credit ratings than we do. Some of our competitors may possess or acquire intellectual property rights that could provide a competitive advantage to them in certain markets or for certain products, which could make it more difficult for us to introduce new products and services. Some of our competitors' proprietary products or technology could be similar to our own, and this could result in disputes that could impact our financial condition or results of operations. In addition, over time certain sectors of the financial services industry have become considerably more concentrated, as financial institutions involved in a broad range of financial services have been acquired by or merged into other firms. This convergence could result in our competitors gaining greater resources and we may experience pressures on our pricing and market share as a result of these factors and as some of our competitors seek to increase market share by reducing prices.

Currently, our branded advisor network (both franchisee advisors and those employed by AFSI) distributes annuity and protection products issued almost exclusively (in the case of annuities) or predominantly (in the case of protection products) by our RiverSource Life companies. In 2009 or 2010, we expect to expand the offerings available to our branded advisors to include variable annuities issued by a limited number of unaffiliated insurance companies. As a result of further opening our branded advisor network to the products of other companies, we could experience lower sales of our companies' products, higher surrenders, or other developments which might not be fully offset by higher distribution revenues or other benefits, possibly resulting in an adverse effect on our results of operations.

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A drop in investment performance as compared to our competitors could negatively impact our ability to increase profitability.

Sales of our own mutual funds by our affiliated financial advisor network comprise a significant percentage of our total mutual fund sales. We attribute this success to performance, new products and marketing efforts. A decline in the level of investment performance as compared to our competitors could cause a decline in market share and a commensurate drop in profits as sales of other companies' mutual funds are less profitable than those from our own mutual funds. A decline in investment performance could also adversely affect the realization of benefits from investments in our strategy to expand alternative distribution channels for our own products, including third-party distribution of our mutual funds.

We face intense competition in attracting and retaining key talent.

We are dependent on our network of branded advisors for a significant portion of the sales of our mutual funds, annuities, face-amount certificates, banking and insurance products. In addition, our continued success depends to a substantial degree on our ability to attract and retain qualified personnel. The market for financial advisors, registered representatives, management talent, qualified legal and compliance professionals, fund managers, and investment analysts is extremely competitive. If we are unable to attract and retain qualified individuals or our recruiting and retention costs increase significantly, our financial condition and results of operations could be materially adversely impacted.

Our businesses are heavily regulated, and changes in legislation or regulation may reduce our profitability, limit our growth, or impact our ability to pay dividends or achieve targeted return-on-equity levels.

We operate in highly regulated industries and are required to obtain and maintain licenses for many of the businesses we operate in addition to being subject to regulatory oversight. Securities regulators have significantly increased the level of regulation in recent years and have several outstanding proposals for additional regulation. Current market conditions and recent events could result in increases or changes in current regulations and regulatory structures, including higher licensing fees and assessments. Significant discussion and activity by regulators concerns the sale and suitability of financial products and services to persons planning for retirement, as well as to older investors. In addition, we are subject to heightened requirements and associated costs and risks relating to privacy and the protection of customer data. Our information systems, moreover, may be subject to increased efforts of "hackers" by reason of the customer data we possess. These requirements, costs and risks, as well as possible legislative or regulatory changes, may constrain our ability to market our products and services to our target demographic and potential customers, and could negatively impact our profitability and make it more difficult for us to pursue our growth strategy.

Our insurance companies are subject to state regulation and must comply with statutory reserve and capital requirements. State regulators are continually reviewing and updating these requirements and other requirements relating to the business operations of insurance companies, including their underwriting and sales practices. Moreover, our life insurance companies are subject to capital requirements for variable annuity contracts with guaranteed death or living benefits. These requirements may have an impact on statutory reserves and regulatory capital in the event equity market values fall in the future. The NAIC has adopted a change to require principles-based reserves for variable annuities at the end of 2009, and continues to discuss moving to a principles-based reserving system for other insurance and annuity products. This could change statutory reserve requirements significantly, and it is not possible to estimate the potential impact on our insurance businesses at this time. Further, we cannot predict the effect that proposed federal legislation, such as the option of federally chartered insurers or a mandated federal systemic risk regulator, may have on our insurance businesses or their competitors.

Compliance with applicable laws and regulations is time consuming and personnel-intensive. Moreover, the evaluation of our compliance with broker-dealer, investment advisor, insurance company and banking regulation by the SEC, OTS and other regulatory organizations is an ongoing feature of our business, the outcomes of which may not be foreseeable. Changes in these laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business. Our financial advisors may decide that the direct cost of compliance and the indirect cost of time spent on compliance matters outweigh the benefits of a career as a financial advisor, which could lead to financial advisor attrition. The costs of the compliance requirements we face, and the constraints they impose on our operations, could have a material adverse effect on our financial condition and results of operations.

In addition, we may be required to reduce our fee levels, or restructure the fees we charge, as a result of regulatory initiatives or proceedings that are either industry-wide or specifically targeted at our company. Reductions or other changes in the fees that we charge for our products and services could reduce our revenues and earnings. Moreover, in the years ended December 31, 2008, 2007 and 2006, we earned $1.6 billion, $1.8 billion and $1.6 billion, respectively, in distribution fees. A significant portion of these revenues was paid to us by our own RiverSource family of mutual funds in accordance with plans and agreements of distribution adopted under Rule 12b-1 promulgated under the Investment Company Act of 1940, as

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amended, or Rule 12b-1. We believe that these fees are a critical element in the distribution of our own mutual funds. However, an industry-wide reduction or restructuring of Rule 12b-1 fees could have a material adverse effect on our ability to distribute our own mutual funds and the fees we receive for distributing other companies' mutual funds, which could, in turn, have an adverse effect on our revenues and earnings.

Consumer lending activities at our bank are subject to applicable laws as well as regulation by various regulatory bodies. Changes in laws or regulation could affect our bank's ability to conduct business. These changes could include but are not limited to our bank's ability to market and sell products, fee pricing or interest rates that can be charged on loans outstanding, changes in communication with customers that affect payments, statements and collections of loans, and changes in accounting for the consumer lending business.

The majority of our affiliated financial advisors are independent contractors. Legislative or regulatory action that redefines the criteria for determining whether a person is an employee or an independent contractor could materially impact our relationships with our advisors, and our business, resulting in adverse effect on our results of operations.

For a further discussion of the regulatory framework in which we operate, see Item 1 of this Annual Report on Form 10-K "Business Regulation."

We face risks arising from acquisitions.

We have made acquisitions in the past and expect to continue to do so. We face a number of risks arising from acquisition transactions, including difficulties in the integration of acquired businesses into our operations, difficulties in assimilating and retaining employees and intermediaries, difficulties in retaining the existing customers of the acquired entities, unforeseen liabilities that arise in connection with the acquired businesses, the failure of counterparties to satisfy any obligations to indemnify us against liabilities arising from the acquired businesses, and unfavorable market conditions that could negatively impact our growth expectations for the acquired businesses. These risks may prevent us from realizing the expected benefits from acquisitions and could result in the impairment of goodwill and/or intangible assets recognized at the time of acquisition.

A failure to appropriately deal with conflicts of interest could adversely affect our businesses.

Our reputation is one of our most important assets. As we have expanded the scope of our businesses and our client base, we increasingly have to identify and address potential conflicts of interest, including those relating to our proprietary activities and those relating to our sales of non-proprietary products from manufacturers that have agreed to provide us marketing, sales and account maintenance support. For example, conflicts may arise between our position as a provider of financial planning services and as a manufacturer and/or distributor or broker of asset accumulation, income or insurance products that one of our affiliated financial advisors may recommend to a financial planning client. We have procedures and controls that are designed to identify, address and appropriately disclose conflicts of interest. However, identifying and appropriately dealing with conflicts of interest is complex, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with conflicts of interest. In addition, the SEC and other federal and state regulators have increased their scrutiny of potential conflicts of interest. It is possible that potential or perceived conflicts could give rise to litigation or enforcement actions. It is possible also that the regulatory scrutiny of, and litigation in connection with, conflicts of interest will make our clients less willing to enter into transactions in which such a conflict may occur, and will adversely affect our businesses.

Misconduct by our employees and affiliated financial advisors is difficult to detect and deter and could harm our business, results of operations or financial condition.

Misconduct by our employees and affiliated financial advisors could result in violations of law, regulatory sanctions and/or serious reputational or financial harm. Misconduct can occur in each of our businesses and could include:

- binding us to transactions that exceed authorized limits;

- hiding unauthorized or unsuccessful activities resulting in unknown and unmanaged risks or losses;

improperly using, disclosing or otherwise compromising confidential information;

recommending transactions that are not suitable;

engaging in fraudulent or otherwise improper activity;

engaging in unauthorized or excessive trading to the detriment of customers; or

otherwise not complying with laws, regulations or our control procedures.

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We cannot always deter misconduct by our employees and affiliated financial advisors, and the precautions we take to prevent and detect this activity may not be effective in all cases. Preventing and detecting misconduct among our branded franchisee advisors and our unbranded affiliated financial advisors who are not employees of our company and tend to be located in small, decentralized offices, present additional challenges. We also cannot assure that misconduct by our employees and affiliated financial advisors will not lead to a material adverse effect on our business, results of operations or financial condition.

Legal and regulatory actions are inherent in our businesses and could result in financial losses or harm our businesses.

We are, and in the future may be, subject to legal and regulatory actions in the ordinary course of our operations, both domestically and internationally. Various regulatory and governmental bodies have the authority to review our products and business practices and those of our employees and independent financial advisors and to bring regulatory or other legal actions against us if, in their view, our practices, or those of our employees or affiliated financial advisors, are improper. Pending legal and regulatory actions include proceedings relating to aspects of our businesses and operations that are specific to us and proceedings that are typical of the industries and businesses in which we operate. Some of these proceedings have been brought on behalf of various alleged classes of complainants. In certain of these matters, the plaintiffs are seeking large and/or indeterminate amounts, including punitive or exemplary damages. See Item 3 of this Annual Report on Form 10-K "Legal Proceedings." In turbulent times such as these, the volume of claims and amount of damages sought in litigation and regulatory proceedings generally increase. Substantial legal liability in current or future legal or regulatory actions could have a material adverse financial effect or cause significant reputational harm, which in turn could seriously harm our business prospects.

A downgrade or a potential downgrade in our financial strength or credit ratings could adversely affect our financial condition and results of operations.

Financial strength ratings, which various ratings organizations publish as a measure of an insurance company's ability to meet contractholder and policyholder obligations, are important to maintaining public confidence in our products, the ability to market our products and our competitive position. A downgrade in our financial strength ratings, or the announced potential for a downgrade, could have a significant adverse effect on our financial condition and results of operations in many ways, including:

- reducing new sales of insurance products, annuities and investment products;
- adversely affecting our relationships with our affiliated financial advisors and third-party distributors of our products;
- materially increasing the number or amount of policy surrenders and withdrawals by contractholders and policyholders;
- requiring us to reduce prices for many of our products and services to remain competitive; and
- adversely affecting our ability to obtain reinsurance or obtain reasonable pricing on reinsurance.

A downgrade in our credit ratings could also adversely impact our future cost and speed of borrowing and have an adverse effect on our financial condition, results of operations and liquidity.

In view of the difficulties experienced recently by many financial institutions, including our competitors in the insurance industry, we believe it is possible that the ratings organizations will heighten the level of scrutiny that they apply to such institutions, will increase the frequency and scope of their credit reviews, will request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the ratings organization's models for maintenance of ratings levels. Ratings organizations may also become subject to tighter laws and regulations governing the ratings, which may in turn impact the ratings assigned to financial institutions.

We cannot predict what actions rating organizations may take, or what actions we may take in response to the actions of rating organizations, which could adversely affect our business. As with other companies in the financial services industry, our ratings could be changed at any time and without any notice by the ratings organizations.

If our reserves for future policy benefits and claims or for our bank lending portfolio are inadequate, we may be required to increase our reserve liabilities, which could adversely affect our results of operations and financial condition.

We establish reserves as estimates of our liabilities to provide for future obligations under our insurance policies, annuities and investment certificate contracts. We also establish reserves as estimates of the potential for loan losses in our consumer lending portfolios. Reserves do not represent an exact calculation but, rather, are estimates of contract benefits or loan losses and related expenses we expect to incur over time. The assumptions and estimates we make in establishing reserves require certain judgments about future experience and, therefore, are inherently uncertain. We cannot determine with precision the actual amounts that we will pay for contract benefits, the timing of payments, or whether the assets supporting our stated reserves will increase to the levels we estimate before payment of benefits or claims. We monitor our reserve levels continually. If we were to conclude that our reserves are insufficient to cover actual or expected contract benefits or loan collections, we would be required to increase our reserves and incur income statement charges for the period in which we make the determination, which could adversely affect our results of operations and financial condition. For more information on how we set our reserves, see Note 2 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Morbidity rates or mortality rates that differ significantly from our pricing expectations could negatively affect profitability.

We set prices for *RiverSource* life insurance and some annuity products based upon expected claim payment patterns, derived from assumptions we make about our policyholders and contractholders, the morbidity rates, or likelihood of sickness, and mortality rates, or likelihood of death. The long-term profitability of these products depends upon how our actual experience compares with our pricing assumptions. For example, if morbidity rates are higher, or mortality rates are lower, than our pricing assumptions, we could be required to make greater payments under disability income insurance policies and immediate annuity contracts than we had projected. In 2009, upon regulatory approval, we intend to offer certain optional riders with our new permanent life insurance policies that will enable consumers to access a portion of their death benefit to fund qualified chronic care needs. These policies, if approved and issued, will also subject us to morbidity risk. The same holds true for long term care policies we previously underwrote to the extent of the risks that we have retained. If mortality rates are higher than our pricing assumptions, we could be required to make greater payments under our life insurance policies and annuity contracts with guaranteed minimum death benefits than we have projected.

The risk that our claims experience may differ significantly from our pricing assumptions is particularly significant for our long term care insurance products notwithstanding our ability to implement future price increases with regulatory approvals. As with life insurance, long term care insurance policies provide for long-duration coverage and, therefore, our actual claims experience will emerge over many years. However, as a relatively new product in the market, long term care insurance does not have the extensive claims experience history of life insurance and, as a result, our ability to forecast future claim rates for long term care insurance is more limited than for life insurance. We have sought to moderate these uncertainties to some extent by partially reinsuring long term care policies we previously underwrote and by limiting our present long term care insurance offerings to policies underwritten fully by unaffiliated third-party insurers, and we have also implemented rate increases on certain in force policies as described in Item 1 of this Annual Report on Form 10-K "Business Our Segments Protection RiverSource Insurance Products Long Term Care Insurance". We may be required to implement additional rate increases in the future and may or may not receive regulatory approval for the full extent and timing of any rate increases that we may seek.

We may face losses if there are significant deviations from our assumptions regarding the future persistency of our insurance policies and annuity contracts.

The prices and expected future profitability of our life insurance and deferred annuity products are based in part upon assumptions related to persistency, which is the probability that a policy or contract will remain in force from one period to the next. Given the ongoing economic and market dislocations, future consumer persistency behaviors could vary materially from the past. The effect of persistency on profitability varies for different products. For most of our life insurance and deferred annuity products, actual persistency that is lower than our persistency assumptions could have an adverse impact on profitability, especially in the early years of a policy or contract, primarily because we would be required to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy or contract.

For our long term care insurance, actual persistency that is higher than our persistency assumptions could have a negative impact on profitability. If these policies remain in force longer than we assumed, then we could be required to make greater benefit payments than we had anticipated when we priced or partially reinsured these products. Some of our long term care insurance policies have experienced higher persistency and poorer loss experience than we had assumed, which led us to increase premium rates on certain of these policies.

Because our assumptions regarding persistency experience are inherently uncertain, reserves for future policy benefits and claims may prove to be inadequate if actual persistency experience is different from those assumptions. Although some of our products permit us to increase premiums during the life of the policy or contract, we cannot guarantee that these increases would be sufficient to maintain profitability. Additionally, some of these pricing changes require regulatory approval, which may not be forthcoming. Moreover, many of our products do not permit us to increase premiums or limit those increases during the

life of the policy or contract, while premiums on certain other products (primarily long term care insurance) may not be increased without prior regulatory approval. Significant deviations in experience from pricing expectations regarding persistency could have an adverse effect on the profitability of our products.

We may be required to accelerate the amortization of deferred acquisition costs, which would increase our expenses and reduce profitability.

Deferred acquisition costs ("DAC") represent the costs of acquiring new business, principally direct sales commissions and other distribution and underwriting costs that have been deferred on the sale of annuity, life and disability income insurance and, to a lesser extent, marketing and promotional expenses for personal auto and home insurance, and distribution expense for certain mutual fund products. For annuity and universal life products, DAC are amortized based on projections of estimated gross profits over amortization periods equal to the approximate life of the business. For