

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: **July 25, 2006**
(Date of earliest event reported)

PRINCIPAL FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-16725
(Commission file number)

42-1520346
(I.R.S. Employer
Identification Number)

711 High Street, Des Moines, Iowa 50392
(Address of principal executive offices)

(515) 247-5111
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into Material Definitive Agreement.

On July 25, 2006, Principal Financial Group, Inc., a Delaware corporation ("PFG") and Principal Management Corporation, an Iowa corporation ("PMC", and together with PFG, the "Principal Entities"), entered into a Stock Purchase Agreement ("Stock Purchase Agreement") with Washington Mutual, Inc., a Washington corporation ("WaMu") and New American Capital, Inc., a Delaware corporation ("NAC", and together with WaMu, the "WaMu Entities"), pursuant to which PMC will acquire all outstanding capital stock of WM Advisors, Inc., a Washington corporation ("WMA"), and WMA's two subsidiaries, WM Funds Distributor, Inc. and WM Shareholder Services, Inc., all wholly owned subsidiaries of NAC, in exchange for approximately \$740 million. The purchase price is subject to an adjustment at and after the closing based on (i) certain declines in revenues from services of WMA and its subsidiaries and (ii) certain decreases of revenues from services of WMA and its subsidiaries during a period of time following the closing.

The closing of the transaction, which is currently expected to occur in the fourth quarter of this calendar year, is subject to (i) the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (ii) approvals of the boards of directors of the various funds sponsored by WMA and PMC or their affiliates, (iii) approvals by the shareholders of certain funds sponsored by WMA or its affiliates, and (iv) other customary conditions to closing, including the execution and delivery of certain related transaction documents. Each of the Principal Entities and the WaMu Entities has made customary representations, warranties, and covenants in the Stock Purchase Agreement.

The parties will also enter into a distribution agreement at closing pursuant to which WaMu will cause an affiliate to distribute various Principal products.

The foregoing description of the transaction and the Stock Purchase Agreement does not purport to be complete. The Stock Purchase Agreement will be filed as an exhibit to a future PFG quarterly report on Form 10-Q.

Item 7.01. Regulation FD Disclosure.

The following information is being furnished under Item 7.01, "Regulation FD Disclosure." This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On July 25, 2006, PFG issued a press release announcing the execution of the Stock Purchase Agreement, which press release is filed as Exhibit 99.1 hereto. PFG is also filing as Exhibit 99.2 hereto materials being used in connection with presentations to and conversations with investors beginning on the date hereof.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release of Principal Financial Group, Inc., dated July 25, 2006
99.2	Investor Presentation

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRINCIPAL FINANCIAL GROUP, INC.

By: /s/ Joyce N. Hoffman
Name: Joyce N. Hoffman
Title: Senior Vice President and Corporate Secretary

Date: July 25, 2006

**RELEASE:
MEDIA CONTACTS:**

On Receipt, July 25, 2006
 Susan Houser, 515-248-2268, houser.susan@principal.com
 Terri Hale, 515-283-8858, hale.terri@principal.com
 Tom Graf, 515-235-9500, investor-relations@principal.com

INVESTOR RELATIONS CONTACT:

**The Principal Financial Group Announces Agreement To Acquire Leading Mutual Fund Manager, WM Advisors
 Acquisition Positions The Principal for Further Success in Capturing Individual Retirement Assets as the Nation's Baby Boomers Retire;
 Principal Financial Group, Inc. Schedules a Conference Call for July 26, 2006**

(Des Moines, Iowa) — The Principal Financial Group® (NYSE:PFG), the nation's 401(k) leader(1) and a leading global asset manager, today announced a definitive agreement to acquire WM Advisors, Inc. — manager of the WM Group of Funds (WM Funds) — and its subsidiaries(2) from Washington Mutual, Inc. (NYSE:WM) for \$740 million in cash, subject to closing adjustments.

Assets under management of the Principal Financial Group were \$205.3 billion as of March 31, 2006. WM Advisors, based in Seattle, is a leading mutual fund manager with more than \$26 billion in assets under management (AUM) — including approximately \$21 billion AUM in the WM Funds — which provides investment advisory services to mutual funds, variable trust funds and asset allocation portfolios to approximately 800,000 fund shareholder accounts nationwide. Following the transaction, Principal Mutual FundsSM (with currently approximately \$28 billion in AUM) is expected to reach approximately \$49 billion in assets under management, ranking as the 43rd largest U.S. fund family.

"The acquisition of WM Advisors represents an exceptional strategic fit for The Principal®," said J. Barry Griswell, chairman and chief executive officer of The Principal. "This transaction adds important scale to one of our key asset accumulation businesses, it further strengthens our global asset management capability and it increases our presence with over 28,000 independent financial advisors who will play an increasingly important role in securing the retirement future for over 76 million Baby Boomers."

Individual retirement assets in the U.S. are forecasted to increase by \$3 trillion or more than 50 percent by 2008, and 70 percent of U.S. households invest their individual retirement accounts in mutual

(1) The May 2005 "Bundled 401(k) Buyer's Guide" published by Treasury & Risk Management lists The Principal as the 401(k) leader based on the total number of plans administered.

(2) WM Advisors and its subsidiaries, WM Funds Distributor, Inc., and WM Shareholder Services, Inc.

funds. According to Larry D. Zimpleman, president and chief operating officer of The Principal, "Expanded product solutions and distribution are critical to our growth strategy of serving the financial needs of Americans transitioning into retirement.

"As a total retirement solutions innovator and asset manager, our historical focus has largely been on meeting the retirement needs of individuals through employer-sponsored retirement plans. The acquisition, which gives us wholesale distribution resources more than 100-strong, provides an established platform to access the retail markets as well. It also expands our portfolio of high quality offerings, including their leading target-risk funds to complement our leading target-date fund offerings. Following the transaction, the combined platform will become the fourth largest U.S. manager of lifecycle funds(3) — one of the fastest-growing asset classes for Americans."

Principal Mutual Funds has a history of strong investment performance and organic growth, including a three-year compounded annual growth rate of 47 percent for assets under management and 31 percent for net cash flow. The Funds have been a key conduit for capturing participant rollover assets from employer-sponsored retirement plans. Principal Mutual Funds was the 12th best-selling fund family in 2005 (Financial Research Corporation), and the 19th best performing fund family in 2005 (Barron's Annual Fund Family Survey 2005). Principal Mutual Funds lifecycle fund offering has had particularly strong growth and investment performance with \$4.9 billion AUM (as of 6/30/06) and 100 percent of Principal LifeTime Funds outperforming peer group medians (for the five years ending 6/30/06).

WM Advisors, with approximately 200 employees based primarily in Seattle and Sacramento, is the manager of the WM Funds, a family of 40 retail mutual funds and variable trust funds, broadly diversified across a range of asset classes. Investment performance for WM Funds has been consistently strong, ranking in the top 15 in Barron's Fund Performance six of the past seven years. With more than \$12 billion of lifecycle target-risk funds AUM, WM Advisors is best known for its expertise in asset allocation through its Strategic Asset Management Portfolios (SAM Portfolios), a series of five fund-of-funds creating different investor risk profiles or target-risk funds.

Complementing the leading full-service retirement distribution network of The Principal, WM Advisors mutual fund distribution capabilities are widespread, with a sales and marketing force of 107 investment professionals that work with a national, third-party distribution network of more than 28,000 financial professionals. In addition, their mutual funds are distributed through 1,500 securities representatives of WM Financial Services, their full-service broker dealer, located in Washington Mutual bank branches. After closing, The Principal will offer mutual funds and annuity products to Washington

Mutual customers through WM Financial Services, and the companies are actively exploring opportunities to collaborate on distribution of retirement products to Washington Mutual customers.

The combined fund platform of both firms will extend to advisors and fund shareholders of both organizations one of the most comprehensive fund solutions available, with emphasis on its industry-leading lifecycle asset management capabilities. Following the transaction, Principal Mutual Funds will manage more than 100 funds. For the periods ending June 30, 2006, 77 percent of the combined funds that have a five-year record outperformed their Morningstar peer group medians for the five-year period, and 71 percent of the funds that have a three-year record outperformed their Morningstar peer group medians for the three-year period.(4)

“Moving forward, we will continue to extend our leading retirement franchise, pursue aggressive growth targets and build value for shareholders, and remain steadfast in helping Americans achieve financial security and success,” Zimpleman added.

Financial Impact

The company expects the transaction will have no impact on 2006 GAAP earnings per diluted share (EPS), based on an expected fourth quarter 2006 closing date. The company expects the transaction will be EPS neutral to marginally accretive beginning in 2007. On a cash basis, the company expects the transaction will be accretive to EPS beginning in 2007.

Approvals

Closing of the transaction is subject to regulatory and other approvals.

July 26, 2006 Conference Call

Principal Financial Group, Inc. (NYSE:PFG) announced today it will hold a conference call on Wednesday, July 26, 2006, at 8:30 A.M. (EDT) to discuss the acquisition of WM Advisors and its subsidiaries from Washington Mutual, Inc., as announced in this release. Chairman and Chief Executive Officer J. Barry Griswell and President and Chief Operating Officer Larry D. Zimpleman will lead a discussion during a live conference call. Just prior to the call, the company will post an investor presentation to the Principal Financial Group Investor Relations website at www.principal.com/investor. The conference call will be broadcast live over the Internet at www.principal.com/investor. To listen to the live webcast, please go to the website at least 10-15 minutes prior to the start of the call to register, and to download and install any necessary audio software. The call can also be accessed via telephone by dialing 800-374-1609 (U.S. and Canadian callers) or 706-643-7701 (International callers) approximately 10 minutes prior to the start of the call. Conference name is Principal Financial and leader's name is Tom Graf. Listeners can also access an

(3) After the transaction, The Principal will become the fourth largest player in lifecycle funds overall, with The Principal today ranking fourth in target-date funds and WM Advisors ranking fourth in target-risk funds (based on the Financial Research Corporation Lifecycle Fund Study).

(4) Analysis performed using the Class A shares except that Preferred Class was used where Class A does not exist. Also includes variable contracts funds. As of June 30, 2006, 65%, 71% and 77% of funds analyzed outperformed their Morningstar peer group medians for the one-year, three-year and five-year periods.

audio replay over the Internet at www.principal.com/investor, or via telephone by dialing 800-642-1687 (U.S. and Canadian callers) or 706-645-9291 (International callers). Access code for the replay is 3553244. The replay will be available approximately two hours after the completion of the live call through the end of day August 2, 2006.

About the Principal Financial Group

The Principal Financial Group[®] (The Principal[®])(5) is a leader in offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement and investment services, life and health insurance, and banking through its diverse family of financial services companies and national network of financial professionals. A member of the Fortune 500, the Principal Financial Group has \$205.3 billion in assets under management(6) and serves some 16.0 million customers worldwide from offices in Asia, Australia, Europe, Latin America and the United States. Principal Financial Group, Inc. is traded on the New York Stock Exchange under the ticker symbol PFG. For more information, visit www.principal.com.

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Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal Investors Fund, Inc. is distributed by Princor Financial Services Corporation, 800-547-7754, member SIPC. Securities are offered through Princor[®] and/or independent broker/dealers. Securities sold by a Princor Registered Representative are offered through Princor. Princor and Principal Life are members of the Principal Financial Group[®], Des Moines, IA 50392.

Before investing in mutual funds, investors should carefully consider the investment objectives, risks, charges and expenses of the funds. This and other information is contained in the free prospectus, which can be obtained from your local representative. Please read the prospectus carefully before investing. Past performance is no guarantee of future results.

(5) "The Principal Financial Group" and "The Principal" are registered service marks of Principal Financial Services, Inc., a member of the Principal Financial Group.

(6) As of March 31, 2006.

Acquisition of WM Advisors, Inc.

Investor Presentation
July 2006



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Participants

- J. Barry Griswell, Chairman and CEO
- Larry D. Zimpleman, President and COO
- James P. McCaughan, President, Global Asset Management
- Michael H. Gersie, Executive Vice President and CFO

Forward Looking Statements

Certain statements made by the company which are not historical facts may be considered forward-looking statements, including, without limitation, statements as to sales targets, sales and earnings trends, and management's beliefs, expectations, goals and opinions. These statements are based on a number of assumptions concerning future conditions that ultimately may prove to be inaccurate. Future events and their effects on the company may not be those anticipated, and actual results may differ materially from the results anticipated in these forward-looking statements.

The risks, uncertainties and factors that could cause or contribute to such material differences are discussed in the company's Annual Report on Form 10-K for the year ended December 31, 2005 and in the company's quarterly report on Form 10-Q for the quarter ended March 31, 2006, filed by the company with the Securities and Exchange Commission. These risks and uncertainties include, without limitation: competitive factors; volatility of financial markets; decrease in ratings; interest rate changes; inability to attract and retain sales representatives; international business risks; foreign currency exchange rate fluctuations; and investment portfolio risks.

Transaction Overview

- \$740 million purchase price, subject to closing adjustments
- Acquiring \$26 billion mutual fund business with significant third party distribution
- Core to strategy – capturing individual retirement assets
- Consistent with acquisition focus – growing U.S. and International asset accumulation and asset management businesses
- Expands business critical to meeting needs of baby boomers
- Enhances our asset management capabilities

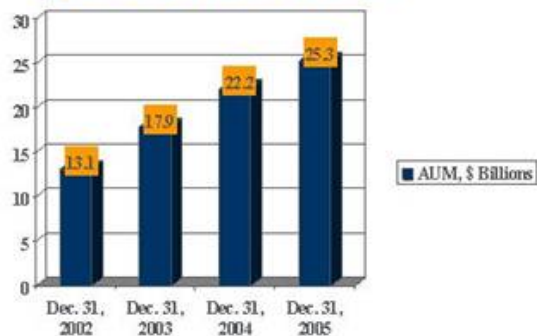
Transaction Overview

WM Advisors, Inc. (WMA)

- Manager of the WM Group of Funds
- \$21 billion in mutual funds AUM, \$5 billion in institutional AUM
- > 200 employees
- Successful third-party distribution model
- Leadership in target-risk funds
- Very good investment performance

History of strong organic growth

3-year AUM CAGR of 24.5%



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Transaction Overview

- *WM Group of Funds*
- \$21 billion in AUM
- 22 retail funds & 18 variable trust funds
- Broadly diversified across range of asset classes
- Strategic Asset Management ("SAM") Portfolios, target-risk asset allocation funds
- *WM Funds Distributor*
- Distribution team 100+ strong
 - Accomplished wholesaling team
 - Experienced sales support, retail marketing and product development professionals
- True third party business
 - 70% of AUM with third party distributors
 - Focused on independent broker-dealers
 - Access to 28,000 advisors

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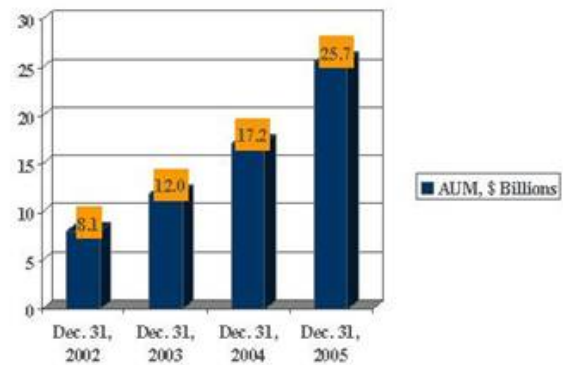
Historical Perspective

Strong track record of growth and performance

Principal Mutual FundsSM as of 12/31/05, unless otherwise stated:

- 61%, 66% and 70% outperformed their Morningstar peer group median for the one-, three- and five-year periods.¹
- 12th best selling mutual fund family as measured by net cash flow*
- Ranked Barron's 19th best fund family**
- Ranked 4th in target-date funds, with \$3.5 billion in AUM*

History of strong organic growth
3-year AUM CAGR of 47%



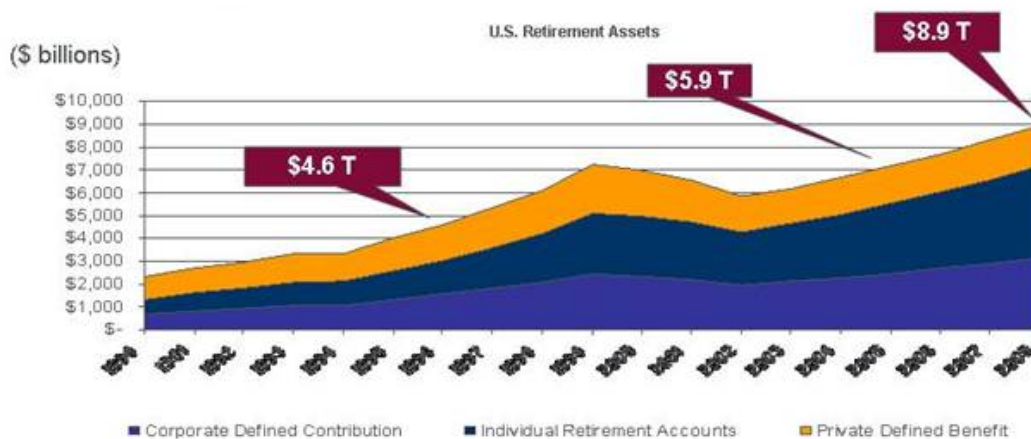
¹ As of June 30, 2006. See page 15 for share class and other information.
*Source: Financial Research Corporation
**Out of 65 fund families, one-year performance



Strategic Rationale

Emphasizing Mutual Fund Growth

Principal Mutual Funds Are Key to Capturing the Growing Pool of Individual Retirement Assets...



Note: Excludes Union and Public pension funds
Source: DOL, ICI, EBRI, and Cerulli Associates



Strategic Rationale

Transaction accelerates asset accumulation and asset management growth by:

- Increasing intermediary distribution capabilities to capture increasing flow of individual retirement assets
- Improving product suite overall
- Solidifying leadership in Lifecycle segment
 - #4 combined rank, #4 in target risk, #4 in target date*
- Growing size and presence more quickly, with positive implications for securing shelf space, building brand and generating economies of scale

* Source: Financial Research Corporation, based on assets as of 12/31/05

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Highlights of Combination

- Creates \$49 billion mutual fund complex
- Benefits of additional scale and presence
- Platform for accelerated growth
 - Significant intermediary distribution expertise
 - Significant expansion of firm level relationships
 - Broader range of high-quality mutual funds offerings, broader asset management capabilities
 - Strong investment performance – 65%, 71% and 77% of funds outperformed their Morningstar peer group medians for the one-year, three-year and five-year periods*
 - New, long-term distribution relationship with WaMu

*As of June 30, 2006. See page 15 for share class and other information.

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Terms and Financial Impact

- \$740 million in cash for 100% of the stock of WMA (subject to closing adjustments)
- Price represents 2.8% of assets under management
- Priced to deliver mid-teens IRR
- Financing expected through combination of excess capital and debt/hybrid issuance
- Estimated EPS impact
 - No impact on 2006 EPS due to expected timing of close
 - Neutral to marginally accretive to GAAP EPS in 2007
 - Accretive in 2007 on cash basis EPS

Integration

- Closing expected fourth quarter 2006
- Subject to regulatory and other approvals
- Integration detail
 - Combining platforms – not an expense story
 - Seamless to mutual fund shareholders and advisors
 - Strong strategic and cultural fit

The Principal Going Forward

- Ongoing expansion of intermediary distribution to extend The Principal franchise
- Acceleration of strong organic growth achieved by mutual funds business
- Continued strong AUM growth*
 - Total company AUM \$205.3 billion, a 3-year CAGR of 21%
 - Principal Global Investors³ AUM \$166.6 billion, a 3-year CAGR of 19%
- Continued aggressive long-term growth targets for The Principal
 - Annual EPS growth of 11% – 13%
 - Roughly 50 bps improvement in ROE per annum

*AUM as of 3/31/06, CAGR calculated for three year period ending 3/31/06
³See page 15 for additional information on Principal Global Investors

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Other Disclosures

NASD/SEC disclosures

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal Investors Fund, Inc. is distributed by Princor Financial Services Corporation, 800-547-7754, member SIPC. Securities are offered through Princor® and/or independent broker/dealers. Securities sold by a Princor Registered Representative are offered through Princor. Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392.

Before investing in mutual funds, investors should carefully consider the investment objectives, risks, charges and expenses of the funds. This and other information is contained in the free prospectus, which can be obtained from your local representative. Please read the prospectus carefully before investing. Past performance is no guarantee of future results.

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Other Disclosures

Footnote 1 from page 7

Mutual funds outperform peer group medians when performance exceeds 50% of peers in their respective Morningstar categories. Analysis performed using the Class A performance of the Principal Investors Fund, Inc. and, where Class A performance was not available, the Preferred Class performance of the Principal Investors Fund, Inc.

Analysis also included performance using Principal Variable Contracts Funds. Analysis excluded money market funds and funds lacking track records for the time periods measured. The Preferred Class is not available to retail investors. Other share class performance may be lower due to different expenses and sales charges.

Footnote 2 from page 10

Mutual funds outperform peer group medians when performance exceeds 50% of peers in their respective Morningstar categories. Analysis performed using the Class A performance of WM Group of Funds and, where available, the Class A performance of the Principal Investors Fund, Inc. and, where Class A performance was not available, the Preferred Class performance of the Principal Investors Fund, Inc.

Analysis also included performance using WM Variable Trust Funds, Class 1, and Principal Variable Contracts Funds. Analysis excluded money market funds and funds lacking track records for the time periods measured. The Preferred Class is not available to retail investors. Other share class performance may be lower due to different expenses and sales charges.

Footnote 3 from page 13

Principal Global Investors is the asset management arm of the Principal Financial Group® (The Principal®), and includes the global asset management operations of the following members of The Principal: Principal Global Investors, LLC; Principal Real Estate Investors, LLC; Spectrum Asset Management, Inc.; Post Advisory Group, LLC; Columbus Circle Investors; Principal Global Investors (Europe) Limited; Principal Global Investors (Singapore) Ltd; Principal Global Investors (Australia) Ltd; and Principal International, Inc., its subsidiaries and affiliates.