



CUSIP: 74254PTM4



Principal Life Insurance Company  
 Principal® Life CoreNotes® (Callable) (That are also Asset-Backed Securities) Issued Through and Obligations of  
 Principal Life Income Fundings Trust 2007-86 (the "Trust" and "Issuing Entity")

The description of this pricing supplement of the particular terms of the Principal® Life CoreNotes® offered hereby, and the Funding Agreement (specified below) issued by Principal Life Insurance Company ("Principal Life") to the Trust, the payment obligations of which are fully and unconditionally guaranteed by the Guarantee (specified below) issued by Principal Financial Group, Inc. to the Trust, supplements the description of the general terms and provisions of the notes, the funding agreements and the guarantees set forth in the accompanying prospectus and prospectus supplement, to which reference is hereby made..

**1. The Notes**

|                            |        |                            |           |
|----------------------------|--------|----------------------------|-----------|
| Principal Amount:          | TBD    | Purchasing Agent Discount: | 1.500%    |
| Issue Price:               | 100.0% | Original Issue Date:       | 9/6/2007  |
| Net Proceeds to the Trust: | TBD    | Stated Maturity Date:      | 9/15/2017 |

|                                |  |  |         |
|--------------------------------|--|--|---------|
| Interest Payment Dates:        | The 15th day of every sixth month commencing on 03/15/2008   |  |         |
| Initial Interest Payment Date: | 3/15/2008  |  |         |
| Regular Record Date:           | 15 calendar days prior to the Interest Payment Date  |  |         |
| Type of Interest Rate:         | <input checked="" type="checkbox"/> Fixed Rate   | <input type="checkbox"/> Floating Rate |         |
| Interest Rate:                 | 5.75%  |  |         |
| Discount Note:                 | <input type="checkbox"/> Yes   | <input checked="" type="checkbox"/> No |         |
| Terms of Survivor's Option:    |  |  |         |
| Annual Put Limitation:         | <input checked="" type="checkbox"/> \$2,000,000 or 2%; or<br><input type="checkbox"/> \$_____ or ___%                    |  |         |
| Individual Put Limitation:     | <input checked="" type="checkbox"/> \$250,000; or<br><input type="checkbox"/> \$_____                                    |  |         |
| Trust Put Limitation:          | <input checked="" type="checkbox"/> 2%; or<br><input type="checkbox"/> \$_____   |  |         |
| Redemption Provisions:         | <input checked="" type="checkbox"/> Yes  | <input type="checkbox"/> No.           | If Yes, |
| Initial Redemption Date:       | 9/15/2009  |  |         |
| Redemption:                    | <input checked="" type="checkbox"/> In whole only and not in part<br><input type="checkbox"/> May be in whole or in part |  |         |
| Additional Other Terms:        | Any redemption date will be an Interest Payment Date falling on or after the Initial Redemption Date                     |  |         |
| Repayment:                     | <input type="checkbox"/> Yes   | <input checked="" type="checkbox"/> No |         |
| Authorized Denominations:      | \$1,000  |  |         |

*“Principal<sup>®</sup>” is a registered service mark of Principal Financial Services, Inc. and is used under license.*

*“CoreNotes<sup>®</sup>” is a registered service mark of Merrill Lynch & Co.*

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Ratings:

The Notes issued under the Program are rated AA by Standard & Poor's ("S&P").

Principal Life expects the Notes to be rated Aa2 by Moody's Investors Service, Inc. ("Moody's").

Purchasing Agent(s) Purchasing Notes as Principal:  Yes  No If Yes,

| <b>Purchasing Agent(s)</b> | <b>Principal Amount</b> |
|----------------------------|-------------------------|
| Merrill Lynch              | TBD                     |
| Total:                     | <i>TBD</i>              |

State of Organization of the Trust: New York

Additional/Other Terms: None

**2. The Funding Agreement**

Funding Agreement Issuer: Principal Life Insurance Company

Funding Agreement No.: 7-09001

Deposit: \$15.0

Net Deposit: TBD

Effective Date: 9/6/2007

Stated Maturity Date: 9/15/2017

Interest Payment Dates: The 15th day of every sixth month commencing on 03/15/2008

Initial Interest Payment Date: 3/15/2008

Type of Interest Rate:  Fixed Rate  Floating Rate

Interest Rate: 5.75%

Discount Funding Agreement:  Yes  No

Terms of Survivor's Option:

Annual Put Limitation:  \$2,000,000 or 2%; or

\$\_\_\_\_\_ or \_\_\_%

Individual Put Limitation:  \$250,000; or

\$\_\_\_\_\_

Trust Put Limitation:  2%; or

\$\_\_\_\_\_

Redemption:  Yes  No. If Yes,  
Initial Redemption Date: 9/15/2009  
Redemption:  In whole only and not in part  
 May be in whole or in part  
Additional Other Terms: Any redemption date will be an Interest Payment Date falling on or after the Initial Redemption Date

Repayment:  Yes  No

Ratings:

The Funding Agreement issued under the Program is rated AA by S&P.  
Principal Life expects the Funding Agreement to be rated Aa2 by Moody's.

Additional/Other Terms: None

### **3. The Guarantee**

Guarantee Issuer: Principal Financial Group, Inc.

Effective Date: 9/6/2007

Additional/Other Terms: None