2017

YEAR IN REVIEW

MAY 2018

FINANCIAL FINESSE
Think Tank Research

Abstract

The percentage of employees that repeatedly engaged in their employer's workplace financial wellness benefit increased to 58 percent, resulting in positive changes in financial habits over multiple years. Compared to new users, repeat users are more confident investors, twice as likely to be on track for retirement, and nearly half as likely to have unmanageable financial stress. Financial behavior change is an iterative process, and realizing the value of that change for both employers and employees is something which takes place over a period of years.

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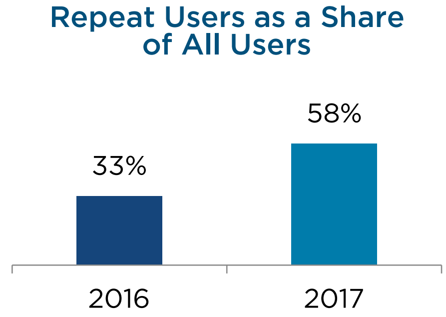
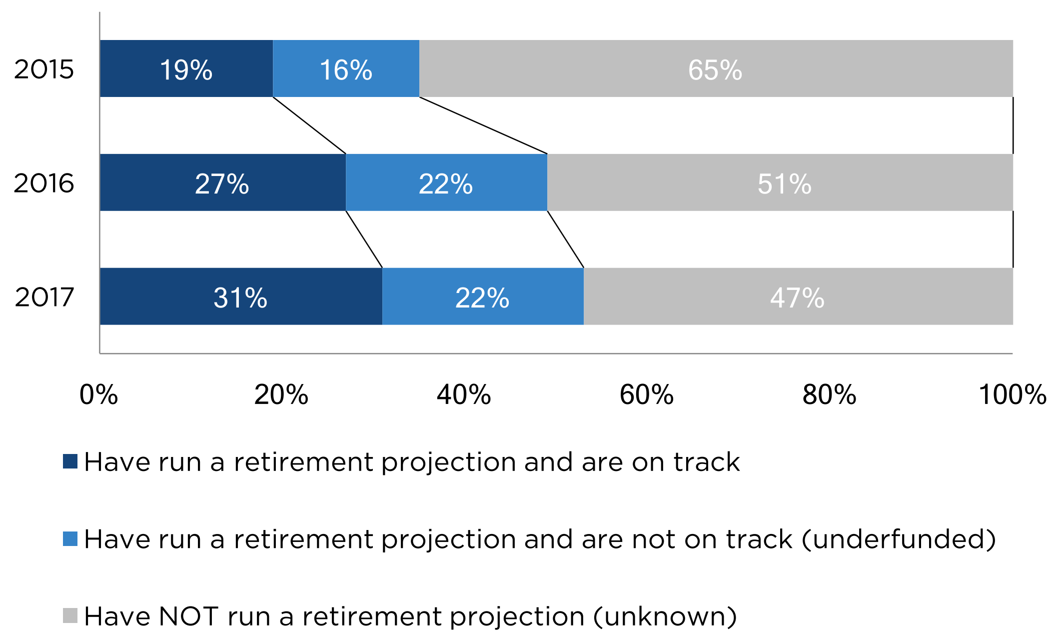
Executive Summary

As we look at trends in workplace financial wellness during 2017, we see yet another rise in repeat users' retirement projections being run, and increased confidence in investment. These upward trends can be attributed to the rise in repeat usage of financial wellness services.



RETIREMENT PROJECTIONS INCREASE

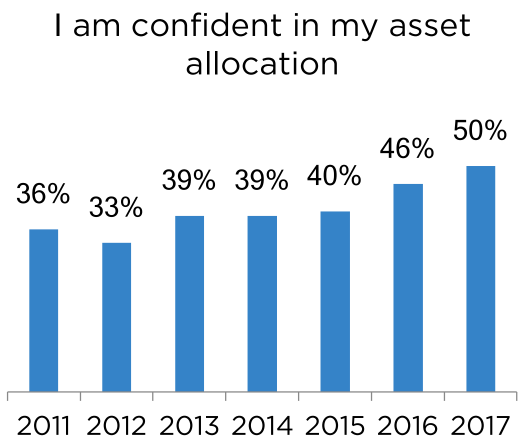
For the second year in a row, more employees ran a retirement projection, resulting in an increase in the percentage of employees that report being on track for retirement. Surprisingly, the percentage that are not on track (i.e., the "underfunded") remained constant. We would have expected an increase in both those that are on track and not on track, but this may be a sign that employers' efforts to improve retirement preparedness are working. While any progress is good, nearly seven in ten employees (69%) are still unsure, or not on track for retirement.

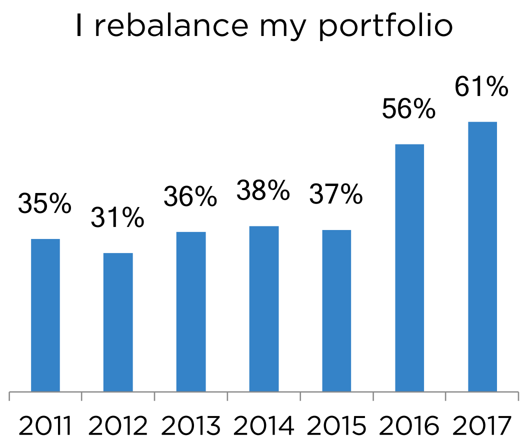


Executive Summary (continued)

INVESTOR CONFIDENCE CONTINUES ITS UPWARD TREND

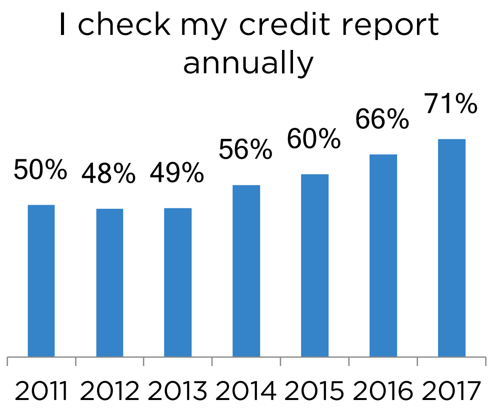
Investor confidence rose—most likely fueled by stock market performance—continuing a trend that began in 2013. Coupled with the increase in investor confidence is an improvement in behavior, namely the practice of rebalancing an investment portfolio. Rebalancing activity has most likely been aided by the increase in usage of target-date and asset-allocation funds.

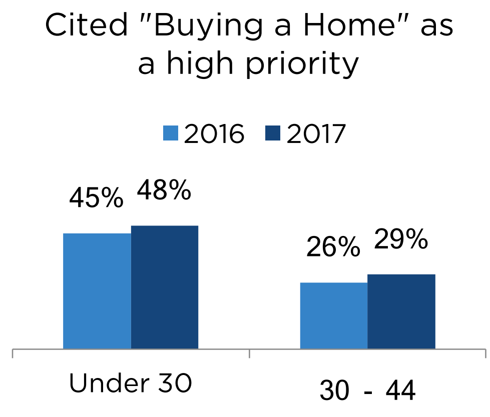




INTEREST IN CREDIT REPORTS ON THE RISE

More than seven in ten employees (71%) indicated checking their credit report annually—a five percentage-point increase over 2016. The increase may have something to do with a recent interest in home buying, especially among younger employees and the attention generated by the Equifax data breach.



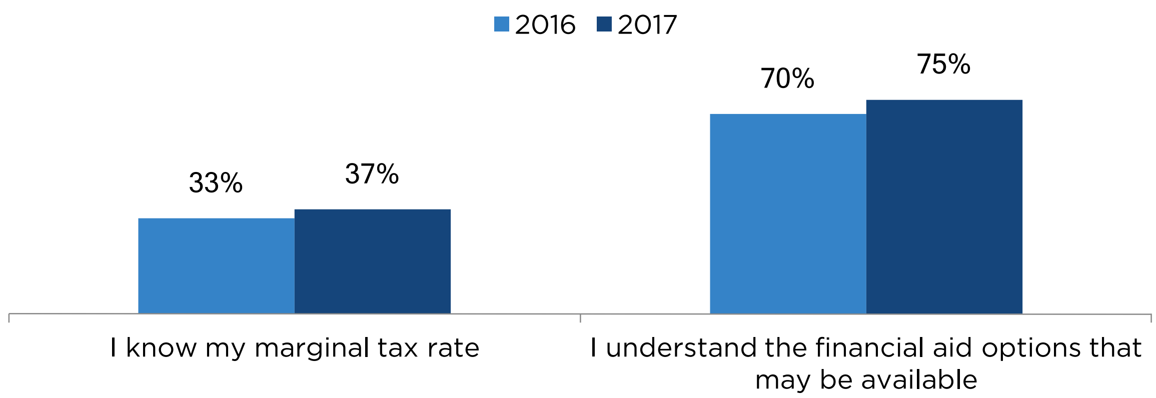


MORE EMPLOYEES KNOW THEIR MARGINAL TAX RATE

The percentage of employees that know their marginal tax rate increased in 2017, most likely a result of coverage on the major tax overhaul signed into law by President Trump.

PARENTS INCREASE UNDERSTANDING OF FINANCIAL AID

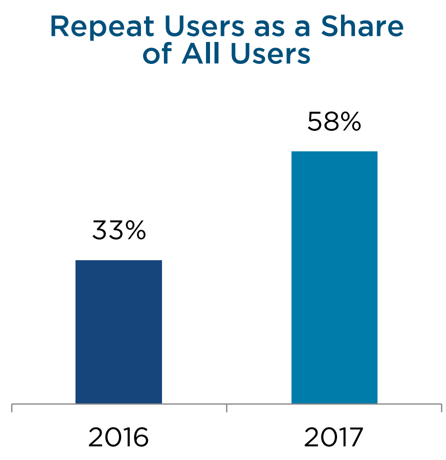
The percentage of parents that indicated they understand the various sources of financial aid that may be available for their student increased five percentage points to 75%.

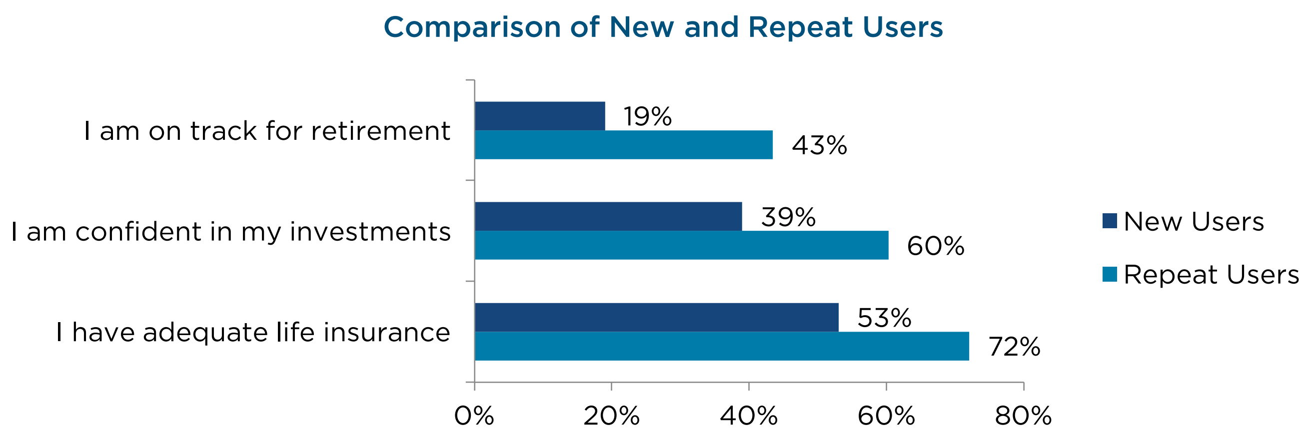


In the Spotlight: Repeat Usage within Multi-Year Programs

Repeat usage of workplace financial wellness programs continues to grow as employers increasingly offer workers incentives for participating in their financial wellness benefit. Among employers that have offered a financial wellness benefit for at least three years, repeat users made up 58% of the population, up significantly from 33% in 2016. This is the first time repeat users have outnumbered first-time users within these programs.

Compared to new users, repeat users were 24 percentage points more likely to be on track for retirement, 21 percentage points more likely to have confidence in their investment decisions, and 19 percentage points more likely to have adequate life insurance.





Repeat users are also less likely to report high or overwhelming levels of financial stress. Numerous studies cite the effects of financial stress on productivity, absenteeism, healthcare claims, turnover, and delayed retirement.[i,ii,iii] For this reason, employers may be particularly interested in finding ways to reduce employee financial stress.

Financial Stress Levels	New Users	Repeat Users
No financial stress	15%	24%
Some financial stress	58%	62%
High or overwhelming financial stress	27%	14%

KEY AREAS OF IMPROVEMENT OF REPEAT USERS

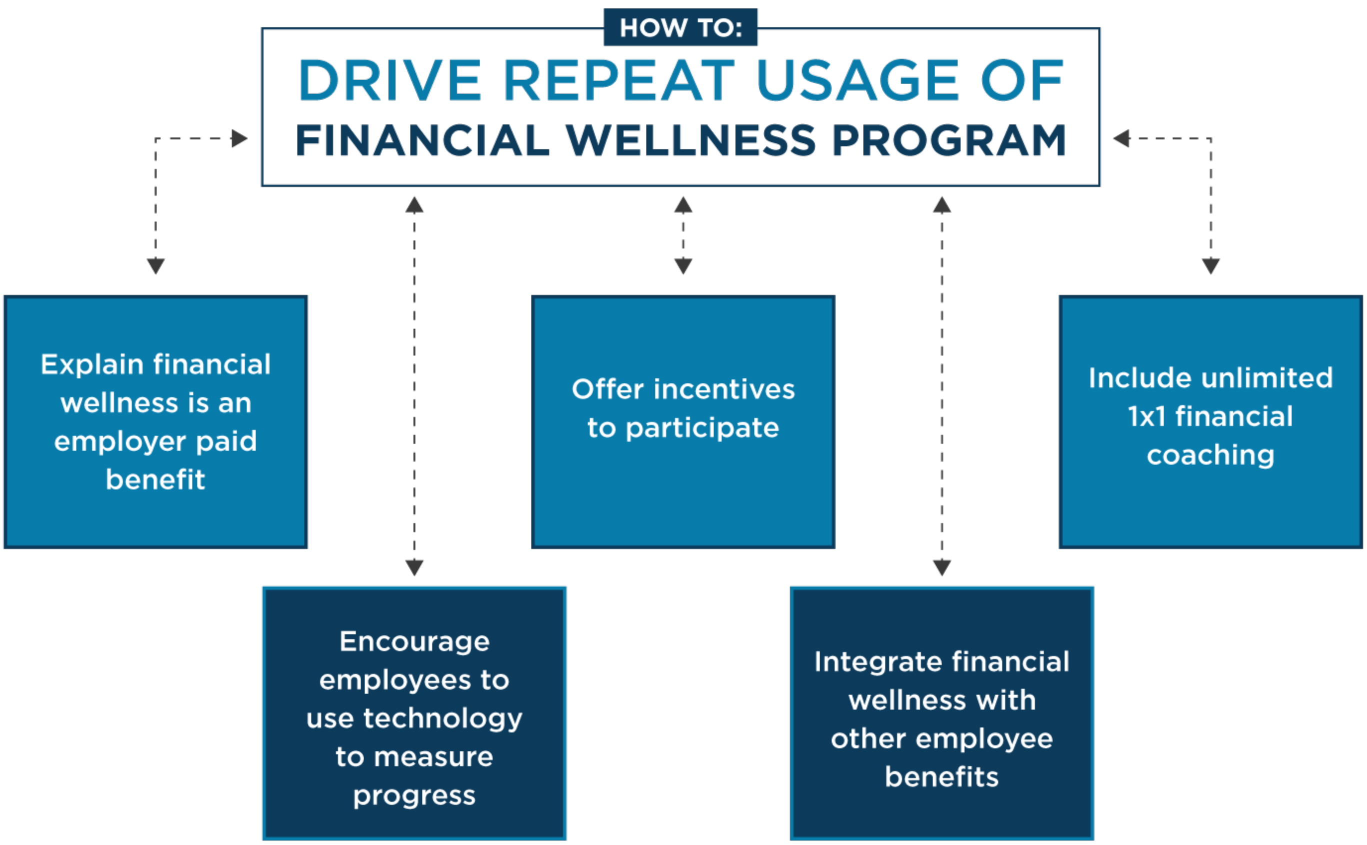
Repeat users showed substantial improvements in key areas of financial wellness, resulting in a 22 percent improvement in their average overall financial wellness score:

Question	First Assessment	Last Assessment
I have a handle on my cash flow.	69%	79%
I have an emergency fund to cover unexpected expenses.	49%	59%
I check my credit report on an annual basis.	57%	73%
I am on track to reach my income goal in retirement.	22%	43%
I feel confident that my investments are allocated appropriately.	40%	60%
I rebalance my investment accounts to keep my asset allocation plans on track.	35%	62%
I have a basic estate plan.	27%	35%
I carry enough life insurance to replace my income.	57%	72%
Average Overall Financial Wellness Score	5.0	6.1

BEST PRACTICES TO DRIVE REPEAT USAGE

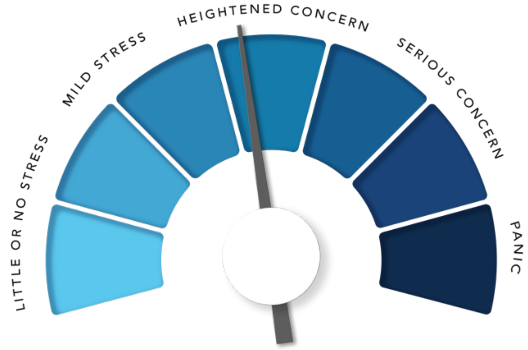
Many of the employers represented in our study use technology, coupled with live financial coaching, to promote employee behavioral change. Using a variety of techniques to drive employee engagement in their workplace financial wellness program, these employers are:

- Marketing their financial wellness program as an employer-paid employee benefit
- Positioning financial wellness as a key component of an overall wellness program
- Offering wellness incentives to participate
- Offering unlimited one-on-one financial consultations via phone, in-person, or both
- Using technology as an entry point for identifying gaps in financial wellness, channeling employees to education and benefits to help close the gap, and for measuring progress



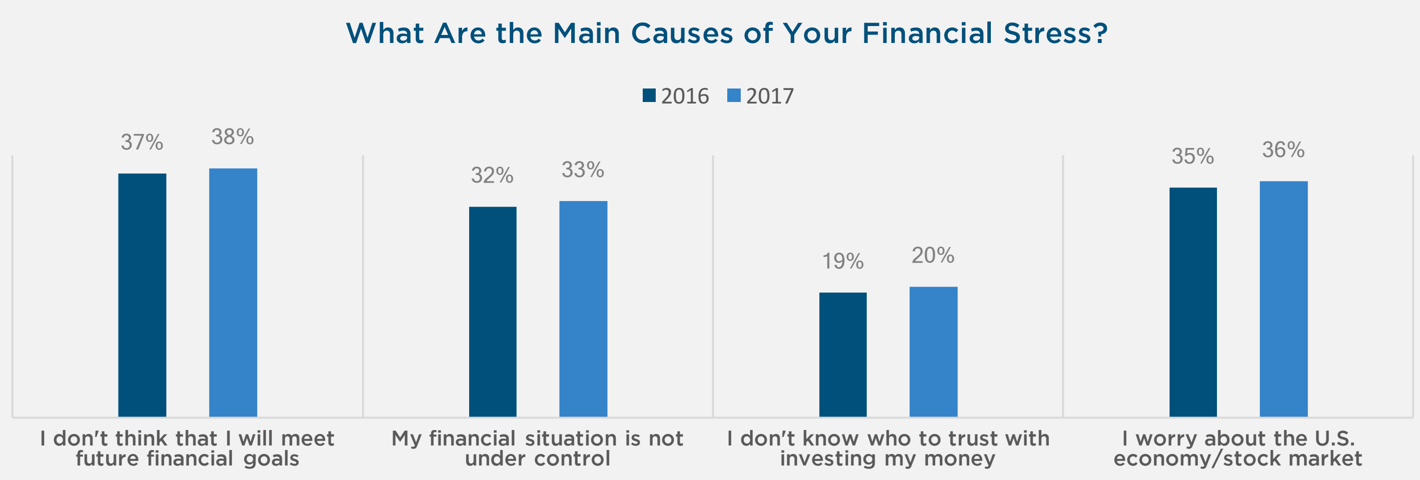
Financial Wellness: Year in Review

EMPLOYEE FINANCIAL STRESS



Employees' overall financial stress remained unchanged in 2017, with 21 percent of employees that took a financial wellness assessment indicating "high" or "overwhelming" levels of financial stress. Repeat users of workplace financial wellness programs continued to maintain substantially lower levels of financial stress, with only 14 percent reporting financial stress at these levels, versus 27 percent of new users.

Lack of confidence in meeting future financial goals was cited most often as the main cause of financial stress, followed by worry over the U.S. economy, lack of control over their current financial situation, and lack of trust in the financial services industry.



Most Employees Have Some Financial Stress

Most employees continue to feel some financial stress. In 2017, 81 percent of employees that completed a financial wellness assessment reported at least some level of financial stress, unchanged since 2016.

Financial Stress Levels	2016	2017
No financial stress	19%	19%
Some financial stress	60%	60%
High or overwhelming financial stress	21%	21%

Manageable Versus Unmanageable Financial Stress

Manageable financial stress—i.e., "some" or "no" financial stress—is when employees are prepared for those decisions, exhibiting a strong financial foundation of good daily cash management behaviors, such as paying bills on time and avoiding high interest debt.

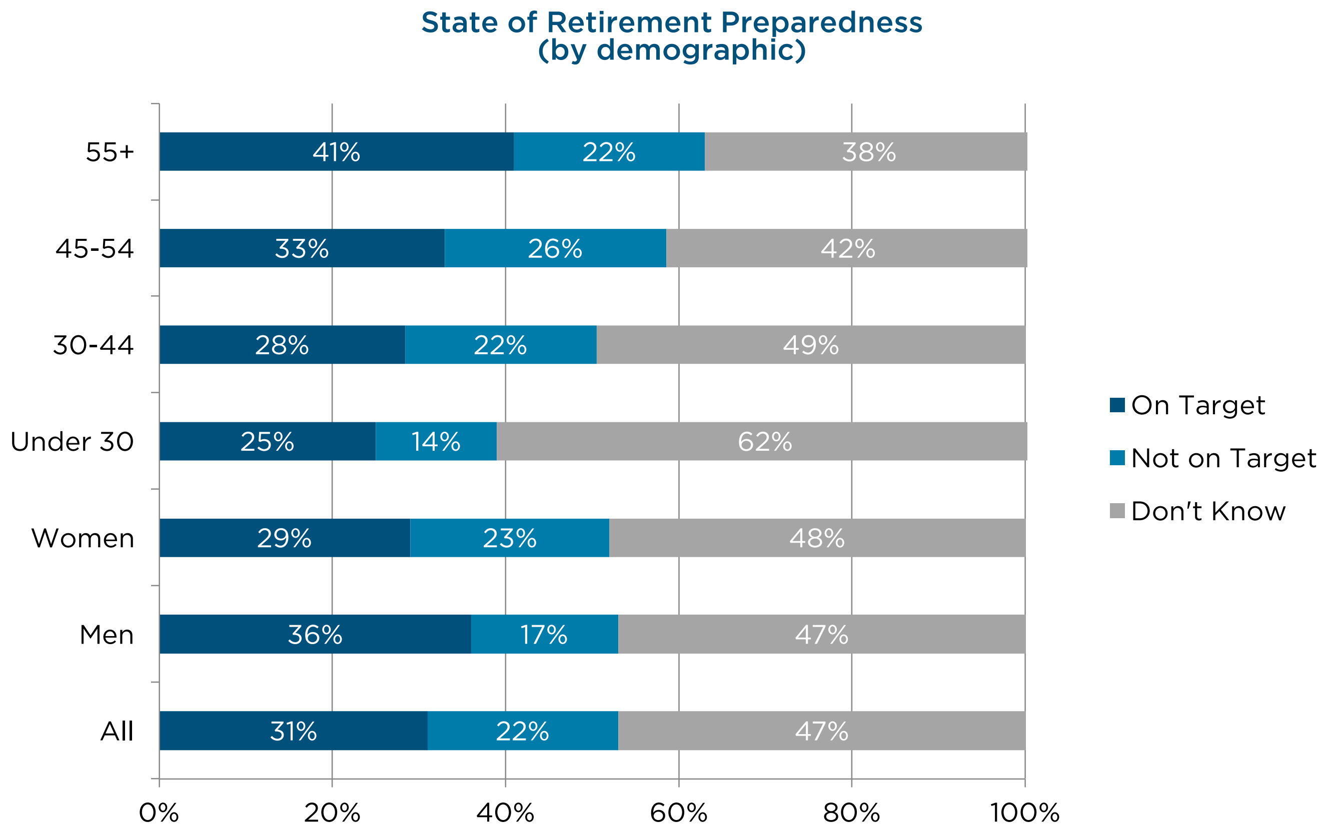
Unmanageable financial stress—i.e., "high" or "overwhelming" financial stress—occurs when employees are living paycheck to paycheck with no emergency fund, often with debt from credit cards and student loans. One unexpected financial event they can't afford, such as a medical emergency or car accident can set off a cascade of financial problems.

The highest levels of unmanageable financial stress were reported by employees with household incomes below $35,000 per year (41 percent) and African American employees (33 percent). Employees with overall financial wellness scores at or below 4.0 also report significantly higher levels of unmanageable financial stress.

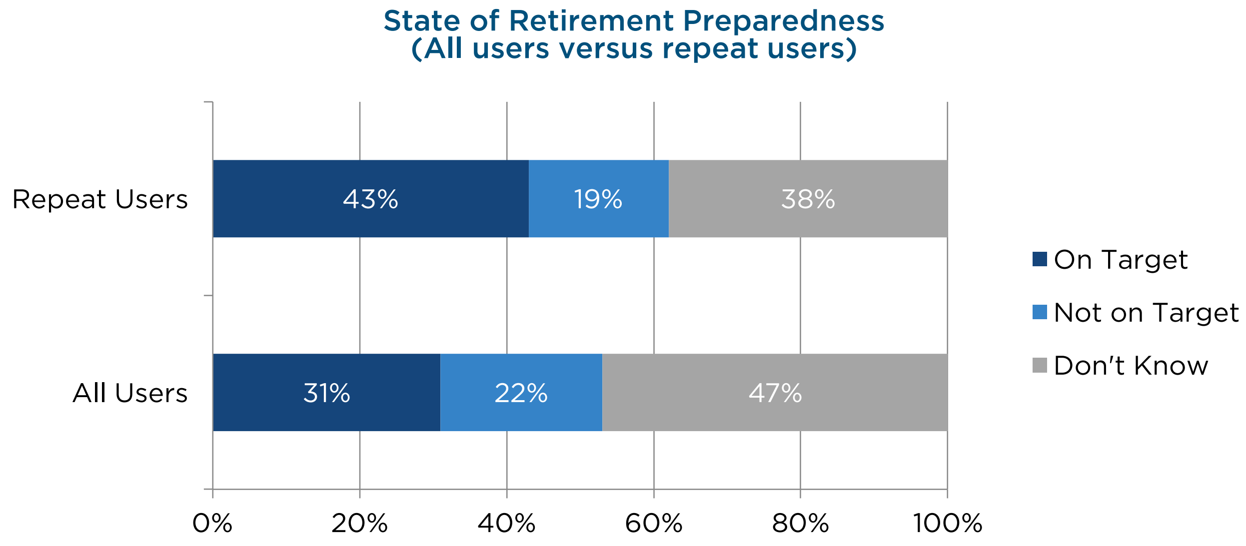
Financial Stress Levels (Wellness Score Range)	Suffering (0 – 2)	Struggling (3 – 4)	Stabilizing (5 – 6)	Sustaining (7 – 8)	Secure (9 – 10)
No financial stress	2%	5%	16%	33%	56%
Some financial stress	30%	54%	70%	64%	43%
High or overwhelming financial stress	68%	41%	14%	3%	1%

RETIREMENT PREPAREDNESS

Thirty-one percent of employees that took a financial wellness assessment in 2017 reported being on track for retirement, up from 27 percent in 2016. Despite this improvement, employees across the board aren't saving enough to meet retirement needs. Ninety-two percent reported participating in their employer-sponsored retirement plan, but only 76 percent are contributing enough to earn the full employer match. The problem of retirement under-preparedness continues to be systemic, with insufficient percentages of virtually all demographic groups saying they are on track for a comfortable retirement.



Employer initiatives to improve retirement preparedness may be working, as a greater percentage of employees ran a retirement projection in 2017. Fifty-three percent of employees reported taking this step, up from 49 percent in 2016. This progress was helped by repeat users, 43 percent of whom have run a retirement projection and are on track for retirement.



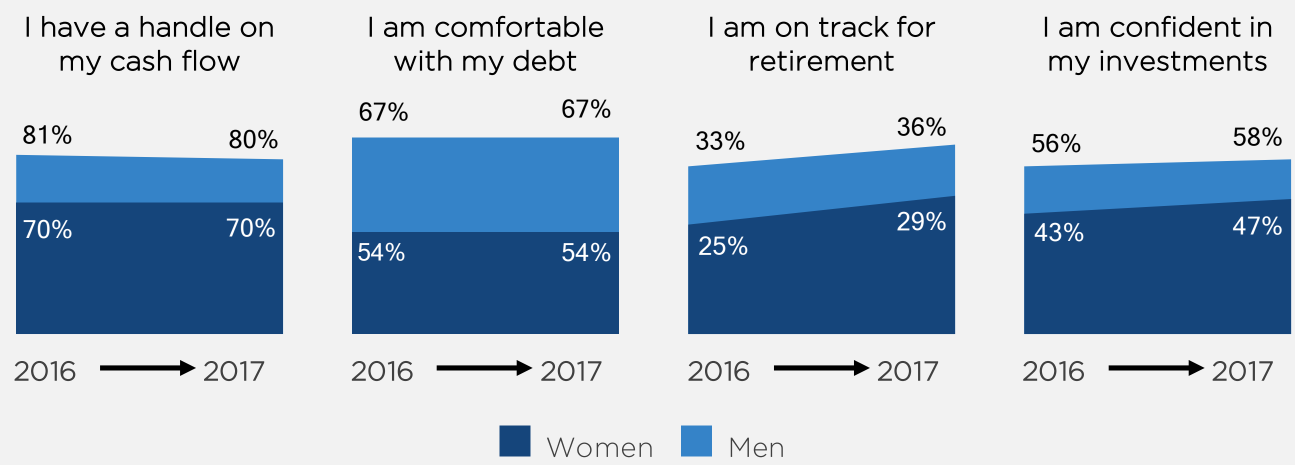
Employees who are not prepared for retirement fall into two categories:

1. **The unknowns** – employees who don't know if they are saving enough to retire comfortably, don't have the resources, or don't know where to begin.
2. **The underfunded** – employees who have taken some initial steps to plan for retirement, such as running a retirement projection; they realize they are not saving enough for retirement but can't or aren't likely to due to other competing priorities.

THE GENDER GAP IN FINANCIAL WELLNESS

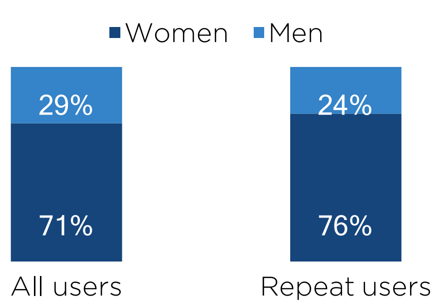
The Gap Narrows

Financial wellness remained relatively constant, except in the areas of retirement preparedness and investor confidence, where women's improvement outpaced that of men's, creating a slightly smaller gap in 2017



A look at 31 key financial wellness questions found that the average difference in the percentage of affirmative responses between men and women narrowed from seven percentage points in 2016 to six percentage points in 2017. The gender gap in financial wellness remains widest in the areas of investing and money management, which is concerning since employees who struggle in these areas also tend to struggle with retirement preparedness.

Difference in average affirmative response to 31 key financial wellness questions



Seventy-one percent of all financial wellness program users and 76 percent of repeat users were women. This reflects the trend of higher utilization by female employees which we have observed consistently since 2010.

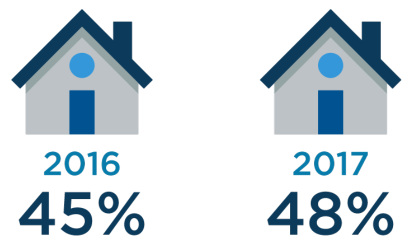
FINANCIAL WELLNESS BY GENERATION

Early Career Employees Maintain High Interest in Home Ownership

The percentage of employees under age 30 that cited "buying a home" as a top-three priority climbed three percentage points to 48 percent, making it the third most important topic in 2017. As expected, this has led to an increase in interest in credit reports, with 74 percent of employees under 30 checking their reports annually, up from 69 percent in 2016. Buying a home may have to wait for the 30 percent that don't have a handle on their cash flow, or the 46 percent that are uncomfortable with their current level of debt.

Student loans, a source of debt for 53 percent of employees under 30, may be partially to blame. Nearly one in three employees with student loan debt is struggling to keep up with payments, while one in four employees under 30 is feeling high or overwhelming levels of financial stress.

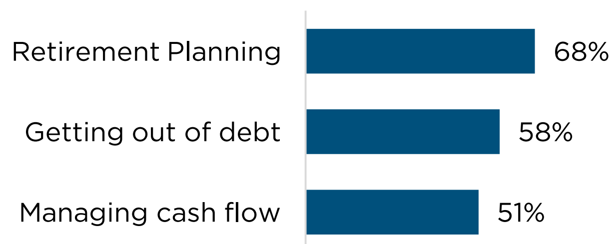
Percentage of Employees Under Age 30 That Cited "Buying a Home" as a Top-Three Priority



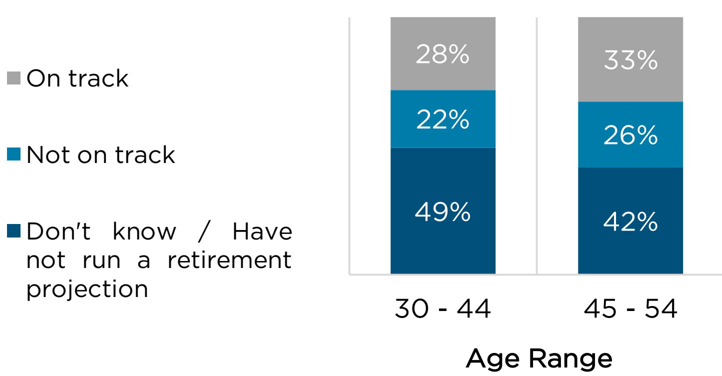
Mid-Career Employees Squeezed by Competing Priorities

Mid-career employees—i.e., those ages 30 to 54—continue to be at a financial crossroads, having to balance between spending on current needs, paying off debt, and saving for future goals. Most are married (61 percent), own a home (67 percent), and have minor children (58 percent). Managing cash flow and getting out of debt remain high priorities for over half the group.

Top 3 Financial Priorities



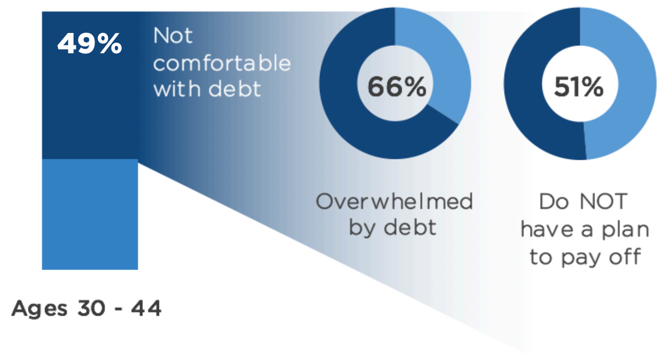
Are They On Track For Retirement?



Although retirement planning is a top concern, 49 percent of employees ages 30 to 44, and 42 percent of employees ages 45 to 54, have not run a retirement projection and do not know if they are on track to retire comfortably.

Thirty-somethings Remain Overwhelmed by Debt

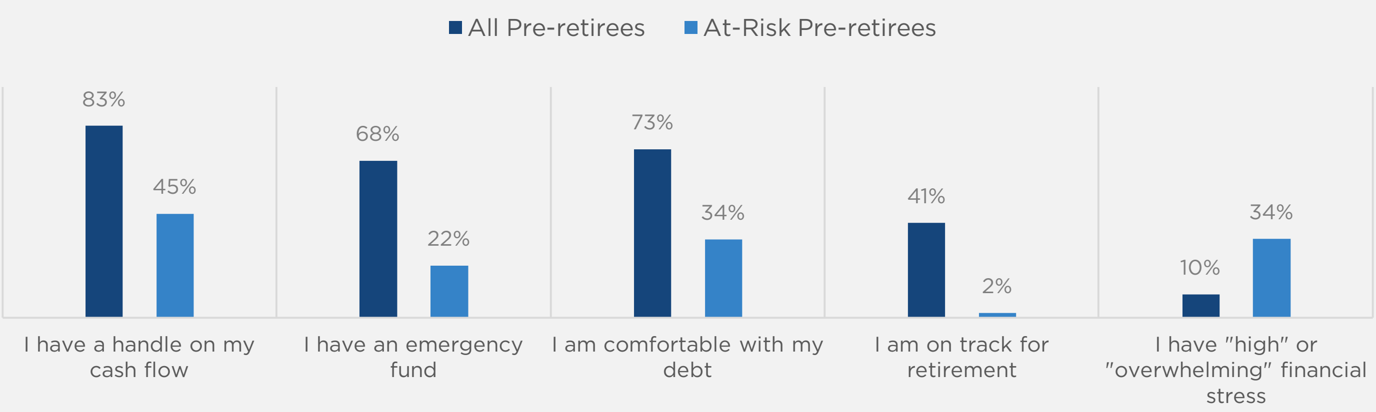
Forty-nine percent of employees ages 30 to 44 indicated they were not comfortable with the amount of non-mortgage debt they had. Among those uncomfortable with their debt, 66 percent felt overwhelmed by it, and just over half (51 percent) do not have a plan to pay it off. Twenty-five percent of all employees ages 30 to 44 reported "high" or "overwhelming" levels of financial stress.



Pre-Retirees Struggle with Debt

Over one in three pre-retirees (36 percent) cited getting out of debt as a top concern, making it second only to retirement planning (91 percent) in order of importance. Those who carry debt have less resources to devote to building up retirement savings in the years leading up to retirement. Roughly one in five employees (19 percent) ages 55 and older that completed a financial wellness assessment in 2017 recorded a financial wellness score of 0 to 4. We define this category of employees as “at-risk” pre-retirees. They are at significant risk of retiring with a drastically reduced lifestyle, or not being able to retire at all. At-risk pre-retirees are hampered by debt and struggle to manage monthly cash flow. This is affecting their ability to build their retirement accounts to sufficient levels.

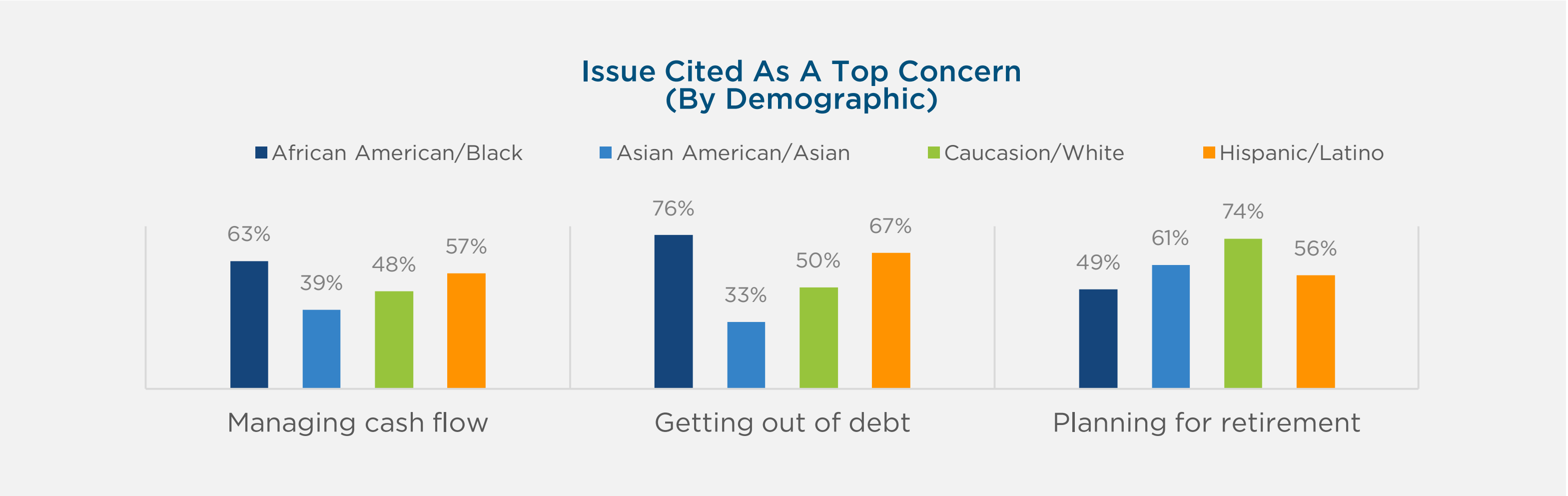
At-Risk Pre-Retirees: Over-Leveraged, Overwhelmed, And Unprepared For Emergencies



OPTIMIZING FINANCIAL WELLNESS IN A DIVERSE WORKFORCE

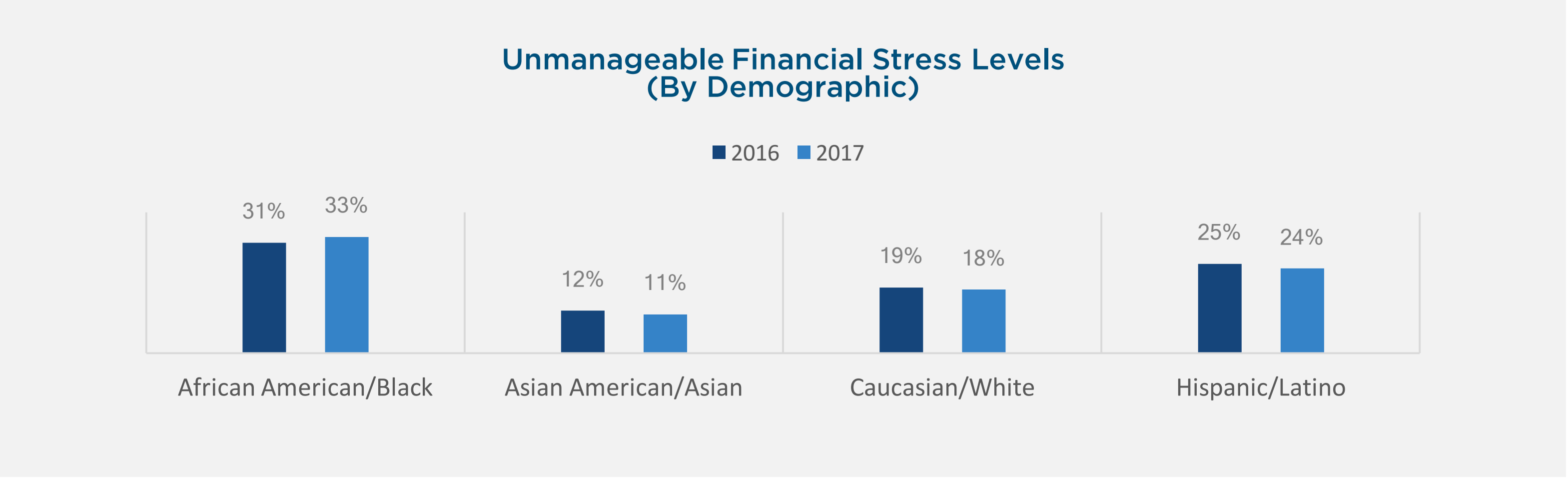
Contrasts in Financial Wellness

Sixty-seven percent of employees that completed a financial wellness assessment in 2017 selected retirement planning as the top concern, but for African American and Latino employees, retirement planning ranked third behind getting out of debt and managing cash flow. Cash and debt management issues continue to contribute to overall lower financial wellness levels among African American and Latino employees.



Concerns with Debt Elevates Financial Stress

Higher concern for debt may be contributing to financial stress as both Latino and African American employees reported higher levels of unmanageable financial stress, which we define as financial stress at "high" or "overwhelming" levels. Overall stress levels moved slightly lower for all groups except African American, which saw a slight uptick in stress.



Methodology

All of Financial Finesse's research is primary—based on tracking employees' most pressing financial concerns through their usage of our financial education services.

Trend analysis research is compiled by tracking questions received by planners through Financial Finesse's Financial Helpline and Ask-a-Planner services. Financial Wellness data is compiled by tracking employees' usage of Financial Finesse's Online Financial Wellness Assessment and Learning Center, which provides employees with a personalized financial education plan and analysis of their current financial wellness. Employers and employees are located across the country—in similar proportion to the demographics of the national population.

This report uses an expanded data set based primarily on the analysis of 95,544 financial wellness assessments completed on January 1, 2016 through December 31, 2017. Some figures may not match data previously reported in prior studies. All figures are rounded to the nearest whole percentage unless otherwise noted.

Results have a +/-1% margin of error at the 99% confidence level.

CONTRIBUTORS

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About the Financial Wellness Assessment

The Financial Wellness Assessment is a proprietary tool designed and developed by our Think Tank of CERTIFIED FINANCIAL PLANNER™ professionals used to measure employees' financial wellness. To get a realistic assessment of wellness in each category, planners determined the most important criteria for achieving financial success in that specific category. By asking key questions that determine employees' progress on these different actions, we are able to approximate their financial wellness in those areas.

ABOUT THE FINANCIAL WELLNESS SCORE

The Financial Wellness Score is measured on a scale of 0 to 10, with 0 indicating minimal financial wellness and 10 indicating optimal financial wellness. Scores are adjusted to consider age and income and determine how well employees are managing their finances based on these factors and the needs associated with different life stages and income levels. Employees who achieve a Financial Wellness Score within a specified range exhibit financial behavior as outlined in the following chart:

Wellness Score	Financial Behavior
9.0 or above	Employees have excellent financial skills and habits, and have achieved an optimal level of financial wellness. They are on track to meet their goals and fully prepared to weather unexpected challenges that arise.
7.0 to 8.9	Employees have good financial skills and habits, and are in a fairly good position to reach their goals, but there are additional actions they need to take to fully prepare for their goals and protect themselves from challenges that may arise.
5.0 to 6.9	Employees are demonstrating some personal financial skills, but have significant gaps in their overall financial planning and behaviors, and really need education and guidance to make decisions and develop financial habits that will allow them to achieve their goals.
3.0 to 4.9	Employees may be sabotaging their own goals through poor personal financial skills and are in need of more basic information.
Below 3.0	Employees are in dire need of guidance around basic personal financial skills to help keep them from experiencing serious financial consequences.

FINANCIAL FINESSE

About Financial Finesse

Financial Finesse is the leading provider of unbiased workplace financial wellness programs in the country, reaching over 2.4 million employees at 600 organizations with holistic financial coaching and guidance that helps employees improve their financial wellness. The firm's programs cover every area of financial planning – from basic money management to advanced estate planning – and cost employees nothing out of pocket, since they're offered as fully subsidized benefits by their employers. Financial Finesse's programs are proven to change lives, provided through a variety of channels such as live workshops, webcasts, one-on-one financial counseling sessions and a financial helpline by CERTIFIED FINANCIAL PLANNER™ professionals who do not sell any financial products or manage assets. www.financialfinesse.com

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End Notes

[i] Hess, D. (2016). *Finding the links between retirement, stress, and health*. Lockton Retirement Services. Retrieved from http://www.lockton.com/whitepapers/Finding_the_Links_Between_Retirement__Stress__and_Health.pdf

[ii] Kohli, S., & Levy, R. (2017). *Employee financial health: How companies can invest in workplace wellness*. Center for Financial Services Innovation. Retrieved from https://cfsinnovation.org/research/employee-financial-health/

[iii] PwC. (2017). *Employee financial wellness survey 2017*. Retrieved from https://www.pwc.com/us/en/private-company-services/publications/assets/pwc-2017-employee-wellness-survey.pdf