Understanding and Achieving Participant Financial Wellness

Insights from our research

From August 25, 2017 to January 31, 2018, the companies of OneAmerica® fielded an online survey to retirement plan participants in order to better understand participant financial wellness and factors that contribute to — or impede — the ability to become financially well. A total of 12,211 retirement plan participants answered questions about financial wellness, ancillary wellness factors — such as working with financial professionals — and education preferences.

The survey results provide insights into how to help participants achieve financial wellness.

Survey method

The survey results provide an understanding of participant thoughts relative to financial wellness and retirement planning. Data was analyzed in terms of five sets of subgroups. By looking at the survey results through these lenses, we can understand how to better serve participants of varying demographics. The following subgroups were analyzed:

- Gender: Male vs. Female
- Age: 18-34, 35-49 and 50+
- Household Income: Low (< $50,000), Mid ($50,000-$99,999) and High ($100,000+)
- Retirement plan balance: Low (<$25,000), Mid ($25,000-$99,900) and High ($100,000+)
- Children in the household: Children in household vs. No children in household

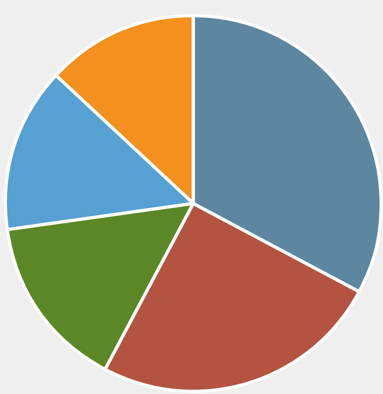
The following are the survey findings as they relate to the different subgroups.

Defining financial wellness

Financial wellness is fundamentally a feeling — one that is going to vary from day to day and participant to participant. Similar to using biometric measurements as a way to gauge physical wellness, the financial industry is moving in the direction of trying to place a value or score on an individual's or a plan's financial wellness. Although it's not that simple; financial wellness is not as black and white as physical wellness. Individuals have different financial goals, priorities, needs and wants. Two individuals could have identical financial metrics, but have very different feelings toward financial wellness.

Although the concept of being financially well varies among participants, there is continued interest from financial professionals and retirement plan providers around how participants define financial wellness. A majority of respondents (33 percent) indicate that being able to meet day-to-day expenses, followed by having enough money to retire (25 percent), most closely aligns with their personal definition of financial wellness.

Exhibit 1: Personal definition of financial wellness



Definition of financial wellness	Percentage
Being able to meet day-to-day and monthly expenses	33%
Having enough money to retire	25%
Being prepared in case of financial emergencies or life events	15%
Having a controlled level of debt	14%
Achieving a desirable level of income at your job	12%

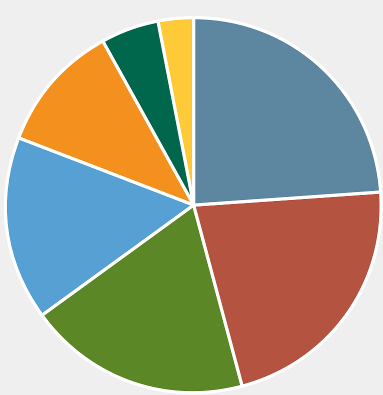
In looking at men, women and those with and without children in the household, all groups report similar definitions of financial wellness (See Exhibit 1.) The definition of financial wellness varies when comparing age, household income and retirement account balance. Participants 50 or older, participants with high household income and participants with high retirement account balances are more likely to indicate having enough money to retire is their closest definition of financial wellness. Participants 49 and younger, participants with household income under $100,000 and participants with retirement account balances under $100,000 are more likely to indicate that being able to meet day-to-day expenses aligns with their definition of financial wellness.

Achieving financial wellness

Although defining financial wellness is important, it is equally as important to identify attributes that are critical to achieving financial wellness. Respondents cite debt control (24 percent), contributing more toward retirement (22 percent) and creating a budget (19 percent) as the most important attributes to achieving financial wellness.

Gender and age also influence which factors are important to achieving financial wellness; men are more likely to cite contributing more to a retirement plan (24 percent), and women tend to cite debt control (26 percent). Younger participants — those 34 and under — think the most important attributes to achieving financial wellness are debt control and creating a budget or spending plan (both at 26 percent). Those age 35–49 think that gaining control of debt (28 percent) and contributing more to a retirement plan (21 percent) are most important in achieving financial wellness. Not surprisingly, participants 50 and older think contributing more to a retirement plan (28 percent) and better or more affordable access to healthcare (19 percent) are the most important attributes to achieving financial wellness.

Exhibit 2: Most important attribute to achieve financial wellness



Attribute to achieve	Percentage
Gaining control of your debt	24%
Contributing more to your retirement plan	22%
Creating a spending plan or budget	19%
Better job security	16%
Better or more access to affordable healthcare	11%
Assistance from a financial advisor	5%
Easy access to financial wellness education	3%

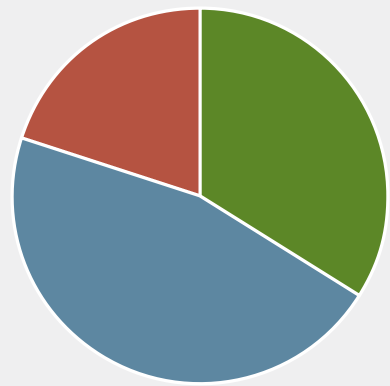
Financial stress and concerns

Due to the emotional element involved, financial stress levels also sheds light on overall financial wellness. Nearly two-thirds of respondents indicate they have moderate to very high levels of financial stress.

Financial stress has a reverse correlation with age, income and retirement plan balance. Those who report low or very low stress levels tend to be age 50 and older with high household income ($100,000+) and higher retirement account balances. Participants who report high or very high financial stress tend to be age 49 and younger, have household income under $100,000 and lower retirement account balances. Women are also more likely than men to report high stress levels.

In evaluating financial stress, it is important to look at top financial concerns — those items that influence financial stress. Thirty-four percent of respondents cite that not having enough money for retirement is their top financial concern, followed by 23 percent citing concern around not having enough money to pay monthly bills.

Exhibit 3: Level of personal financial stress



Personal financial stress level	Percentage
Very low to low	34%
Moderate	46%
High to very high	20%

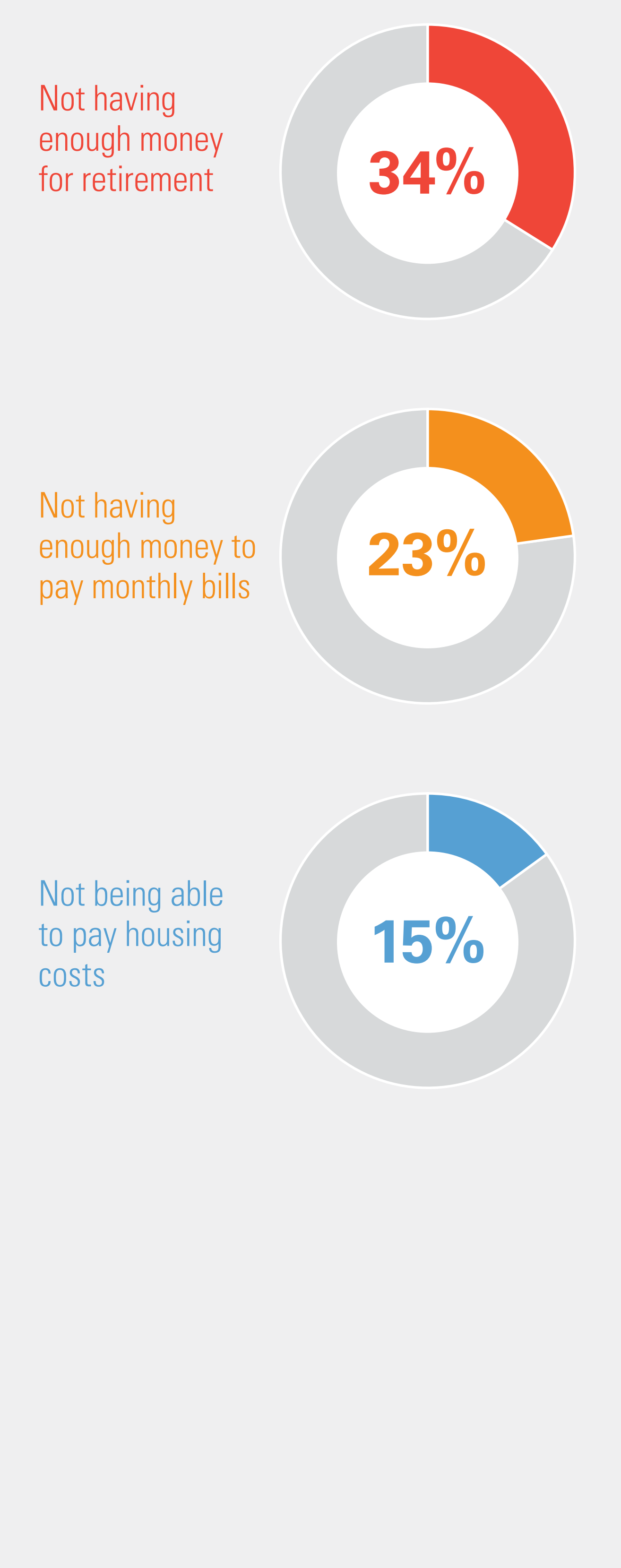
In evaluating top financial concerns, there is no difference in the priority given to financial concerns when looking at men vs. women or those with and without children in the household, with these groups aligning with the order of concerns displayed in Exhibit 4. Age, however, does impact the priority placed on financial concerns.

- Those age 34 and younger indicate concern about having enough money to pay monthly bills (28 percent) followed by not having enough for retirement (22 percent).
- Not having enough for retirement (30 percent) followed by not having enough to pay monthly bills (27 percent) are top concerns of participants age 35–49.
- Participants age 50 and older are more likely to cite concerns about not having enough money for retirement (46 percent) followed by not being able to afford quality healthcare (19 percent).

Household income also affects top financial concerns.

- Participants with household income under $50,000 indicate the most concern with not having enough to pay monthly bills (33 percent) followed by not being able to pay housing costs (21 percent).
- Those with household income between $50,000 and $99,999 indicate the most concern with not having enough for retirement (30 percent) followed by not having enough to pay monthly bills (26 percent).
- Not having enough money for retirement (43 percent) followed by not having enough money to pay monthly bills (16 percent) are the top concerns of those with household income of $100,000 or more.

Exhibit 4: Top financial concern



What can plan sponsors do to help?

By understanding participants' definition of financial wellness, top factors in achieving financial wellness as well as how financial stress and financial concerns affect participants, plan sponsors have an opportunity to tailor education. For example, providing retirement preparation education to men and balancing debt management and retirement preparation education to women may speak to the attributes important in achieving wellness for each gender. Younger workers may benefit from basic budgeting, factoring in the importance of retirement contributions and debt management education, whereas retirement preparation and pre-retirement education may resonate best for participants age 50 and older. Given that two-thirds of respondents indicate they have moderate to very high financial stress, sponsors may want to evaluate their wellness offering to include information about managing financial stress and techniques to reduce financial stress.

Ancillary financial wellness factors

Historically, financial wellness and retirement preparation education has focused on budgeting, debt management and the importance of preparing for retirement — topics that are still relevant. It is also interesting to evaluate participant attitudes and opinions about:

- The impact student loans have on their ability to prepare for retirement
- Health Savings Accounts (HSA) as a retirement preparation tool
- Working with a financial professional

Student loans

Thirty-seven percent of respondents report paying toward a student loan on behalf of themselves or someone else. Women are more likely than men to be paying toward a student loan (41 percent vs. 34 percent). The likelihood of paying toward a student loan decrease as age, household income and retirement plan balance increase.

An astounding 85 percent of respondents paying toward a student loan report that this action has an impact on their ability to prepare for retirement, with nearly four in 10 (38 percent) indicating student loans are having a *significant* impact on their ability to prepare for retirement. Younger and less affluent participants are most affected by student loans impacting their ability to save for retirement.

What can plan sponsors do to help?

With this information, plan sponsors may want to evaluate their benefits offering to determine if tuition reimbursement or student loan payback programs make sense for their employee demographic. At the same time, it is imperative that participants understand the importance of retirement planning and participating in a retirement program as early as possible. As such, replacing a retirement plan contribution with a student loan repayment may not be in the participant's best interest. Plan sponsors should keep this in mind as they evaluate their benefits offering.

Health Savings Accounts (HSAs)

HSAs have recently received attention as an attractive retirement planning tool with their "triple tax advantage" feature. When positioning HSAs as a way to help prepare for retirement, it is important to evaluate why participants choose to open an HSA.

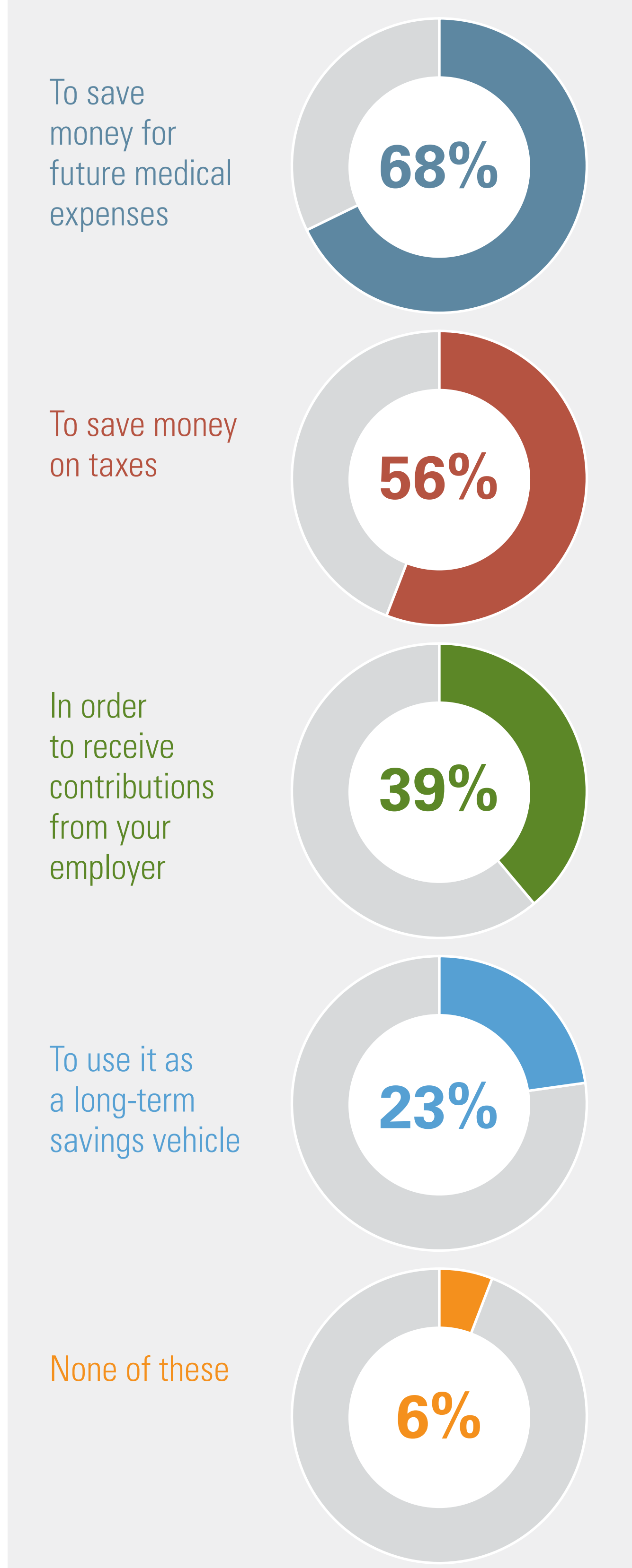
The survey shows that a majority of respondents choose to open an HSA in order to put money aside to pay for future medical expenses (68 percent). Participants also recognize the tax benefits HSAs offer with 56 percent opening an HSA to save money on taxes; however, less than a quarter (23 percent) report opening the account as a long-term savings vehicle.

Respondents who indicate they use an HSA to save for future medical expenses and those who report contributing in order to receive an employer contribution tend to be age 18–34. Men, participants with household incomes of $50,000 or more, participants with retirement plan balances of $25,000 or more and participants with children in the household tend to use HSAs as a way to save on taxes. Participants who report opening an HSA as a long-term saving vehicle tend to have high household income and high retirement plan balances.

What can plan sponsors do to help?

If an HSA-eligible health plan and HSA option is offered to employees, plan sponsors have an opportunity to position the HSA as a tool to not only help pay medical expenses and save on taxes, but also to help with retirement preparation. Explaining the triple tax advantage and the ability to use HSA dollars for non-medical expenses in retirement may build awareness and clear up misconceptions regarding HSAs.

Exhibit 5: Reason for opening an HSA



Working with a financial advisor

Forty percent of respondents indicate they currently work with a financial advisor, a 5 percent increase from our 2013 survey. Since 2013, the age of participants who work with a financial advisor trend lower. In 2013, participants who worked with a financial advisor tended to be age 50 and older compared with the current survey which shows that participants working with a financial advisor tend to be age 35 and older.

Research[1] continues to show that participants who work with a financial advisor are more confident about their retirement preparation. Prior OneAmerica research also identified that participants who work with a financial advisor are more likely to have calculated their retirement income need, are less likely to cite debt as a deterrent to contributing to their retirement plan and appear to be more confident about their ability to maintain their current lifestyle in retirement. Through this survey, participants who work with a financial advisor report having lower financial stress and higher knowledge on more retirement and financial related topics.

With all of the benefits of working with a financial advisor, why do 60 percent of participants indicate they are not working with a financial advisor? Three reasons are equally cited by plan participants.

- Concern around affording fees (43 percent)
- Belief that they don't have enough wealth (41 percent)
- They haven't seriously considered the issue (41 percent)

1. *Plansponsor.com, Working with Advisers Increases Retirement Confidence; August 10, 2015; https://www.plansponsor.com/working-with-advisers-increases-retirement-confidence/*

Exhibit 6: Reasons for not working with a financial advisor

Reason	Percentage
Concerned you can't afford fees	43%
Don't believe you have enough money	41%
Haven't seriously considered the issue	41%
Don't believe that you need help setting your financial goals	20%
Concerned about misconduct or fraud	14%
Not yet thinking about retirement or planning your legacy	10%
Write in: No time/lazy	2%
Write in: Do not want to pay fees	1%
Write in: Don't know where to find advisor/start	1%
Other	2%

Women, participants with lower household income and participants with lower retirement plan balances are more likely to cite that they are concerned they can't afford the fees associated with working with a financial advisor and that they don't have enough wealth. Men, participants with higher household income and participants with higher retirement plan balances are more likely to cite they don't need assistance and concerns around fraud. Younger participants — those age 18–34 — tend to indicate they don't work with a financial advisor because they haven't begun thinking about retirement preparation and that they haven't seriously considered the issue.

What can plan sponsors do to help?

There are many benefits of working with a financial advisor. According to this survey, participants who work with a financial advisor cite lower financial stress compared to those who do not. Plan sponsors have an opportunity to share the many benefits of working with an advisor and provide information about how to connect with a personal, financial advisor. Providing additional details around any investment minimums and advisor fees may help with participant perceptions about working with a financial advisor.

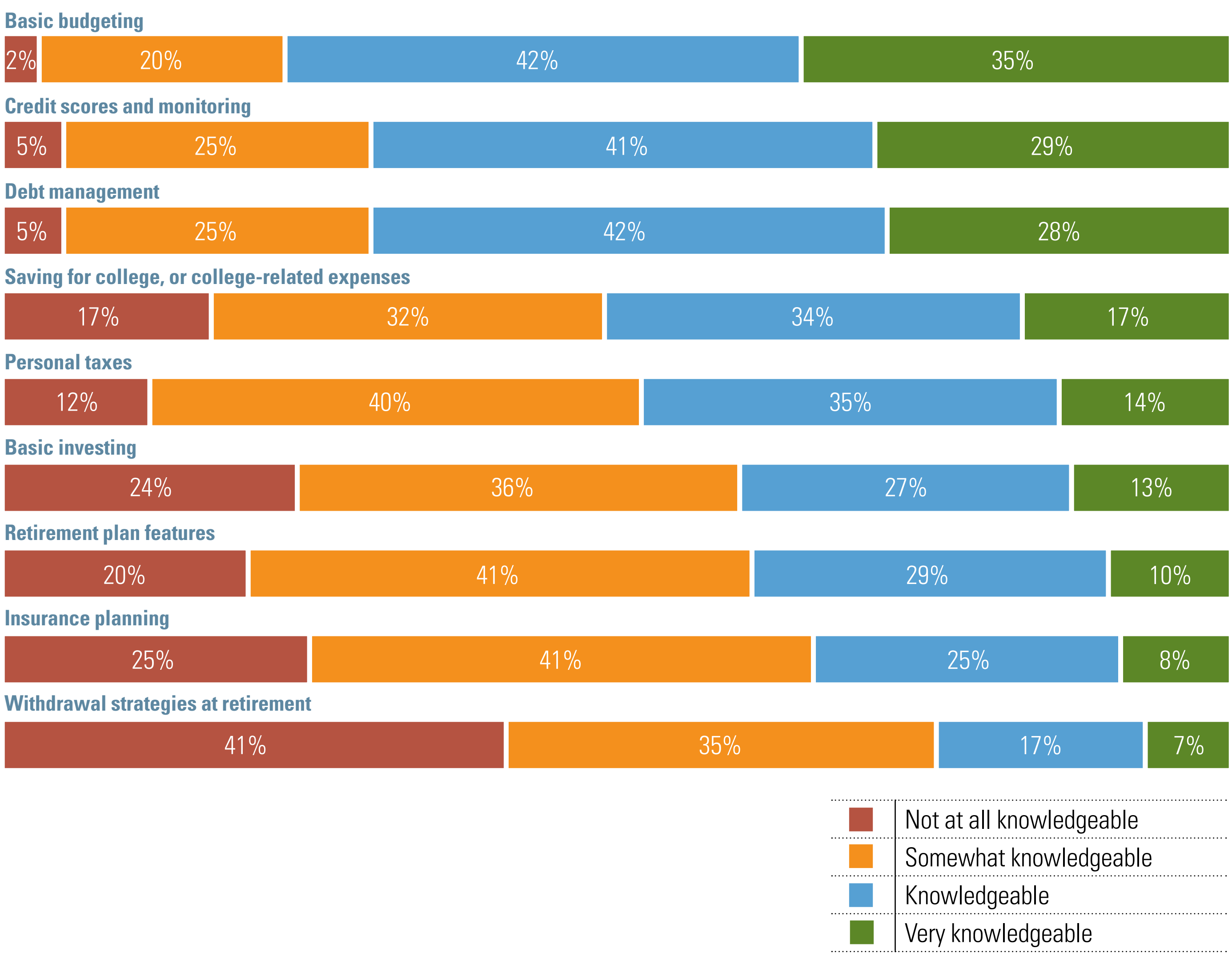
Financial education opportunities and preferences

In evaluating educational opportunities and preferences, the survey explores financial literacy levels, preferred communication channels and the use of online tools.

Level of financial literacy

In evaluating overall financial literacy, more than one-quarter (26 percent) of participants indicate they are only knowledgeable or very knowledgeable on two or fewer topics from the nine listed. These respondents tend to be female, under age 49, have household income under $100,000 and retirement plan balances under $25,000. This group also reports higher financial stress, with 35 percent reporting high or very high levels of financial stress. Additionally, this group shows more interest in receiving educational materials, with 65 percent indicating they would like to receive additional education about financial wellness topics.

Exhibit 7: Participant knowledgeability on financial wellness topics



Almost 30 percent of respondents report being knowledgeable or very knowledgeable on seven to nine of the nine topics listed. Already self-reporting knowledge about many financial wellness topics, this group shows lower interest in receiving educational materials, with only 35 percent indicating they would be interested in receiving additional financial wellness education. Participants who report being knowledgeable on seven to nine topics tend to be male, age 50 and older, with household income and retirement plan balances of more than $100,000. This group also reports much lower financial stress, with only 9 percent indicating high or very high financial stress levels.

Participants report high levels of knowledge with respect to budgeting, credit and debt. However, they also indicate that their top financial concerns are not having enough to retire and not having enough to pay monthly bills and the most important factor in achieving financial wellness is gaining control of debt. These results show behavioral economics at work. Even though participants report having knowledge on these financial wellness topics — particularly budgeting and debt management — it does not mean that they are applying that knowledge to their financial concerns and financial wellness activities.

What can plan sponsors do to help?

Plan sponsors can focus educational efforts on groups of participants who indicate they are most interested in receiving financial education. Behavioral economics provides an educational dilemma to participants reporting high knowledge about items that are their top financial concerns. Plan sponsors are encouraged to keep budgeting and debt management topics top of mind while also providing education about those topics participants indicate they are less knowledgeable about.

Education preferences

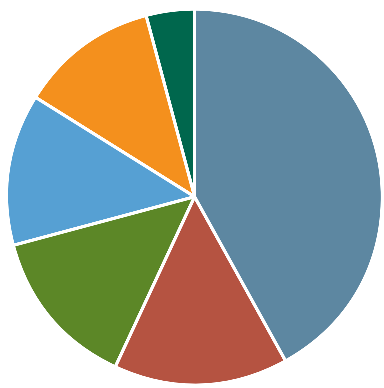
In looking at delivery preferences, participants are most interested in having information delivered to them rather than setting aside time to find it themselves, with a majority (65 percent) of respondents reporting they want information about online resources sent to them. Providing printed materials, which requires minimal effort on behalf of the participant, is favored by 45 percent of respondents. Nearly four in 10 were comfortable going online to independently locate resources; however, since our 2015 survey, we have seen a 17 percent increase in the number of participants who indicate they are too busy or don't have enough time to explore online resources. Employee meetings, both one-on-one and group, were the least preferred methods of receiving financial wellness education, with only 27 percent and 15 percent of participants reporting preference for these delivery channels, respectively.

Exhibit 8: Delivery preferences for financial wellness material

Reason	Percentage
I want information about online resources sent to me	65%
Printed materials	45%
I want to go on my own to find resources	39%
One-on-one education meetings	27%
Group education meetings	15%
Other	1%

In evaluating the value participants place on educational resources, we find that although participants cite certain delivery preferences, the value they place on the materials does not always align. For example, 45 percent of respondents cite printed materials as a preferred delivery channel, while only 13 percent value flyers and postcards mailed to their home, and even fewer (4 percent) value posters and flyers at work. The most value is placed on web-based tools such as webinars, videos and podcasts.

Exhibit 9: Value of financial wellness educational resources (most valuable)



Value of educational resources	Percentage
Web-based tools such as webinars, videos, podcasts	42%
Real-time chat	15%
Guides or workbooks from education meetings	14%
Flyers and postcards sent to your house	13%
Social media articles	12%
Posters and flyers at work	4%

What can plan sponsors do to help?

Although participant education preferences may deviate from what is traditionally provided, plan sponsors are encouraged to embrace the channels and education resources that participants prefer. Understanding that participants cite they have less time to seek out financial wellness information themselves, plan sponsors have an opportunity to provide easy-to-access, web-based educational resources.

Conclusion

There are many factors to consider when evaluating and assisting participants in achieving financial wellness. Participants recognize the importance of retirement preparation — they cite it as a top definition of financial wellness and a top financial concern. But, they also appear to struggle with basic money management, indicating meeting day-to-day expenses and debt management are concerns. Unfortunately, meeting day-to-day needs tends to take priority over retirement preparation. For participants who pay on student loans, there is an even more significant impact on their ability to prepare for retirement. These competing demands on participants' paychecks result in a majority indicating moderate to high financial stress levels.

In helping participants balance these demands, there is opportunity for education. Although participants report high knowledge about basic money management, additional education may be needed so that they apply this knowledge. Plan sponsors should also consider providing education about the topics participants are less knowledgeable about — particularly retirement plan features, insurance planning and withdrawal strategies at retirement — the latter of which will be increasingly important as Baby Boomers begin the de-accumulation phase.

Additionally, participants may benefit from understanding how HSAs can help with their retirement preparation. Financial advisors also have the ability to help participants with this education. Removing the barriers and misconceptions about working with a financial advisor may help those who have concerns begin working with a professional who can help.

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