FINANCIAL FINESSE
Think Tank Research

2019 YEAR IN REVIEW

MAY 2020

Abstract

The state of financial wellness held constant, but the typical employee engaging in a financial wellness benefit is gradually looking younger and more masculine. Improvement in employee financial behavior has been subtle but includes fewer reporting they carry a balance on their credit cards and more indicating they check their credit report at least once a year. The type of engagement—e.g., online, group, individual, or all three—also influences the degree of improvement, with those engaging in all three types garnering the highest levels of improvement. As demand for financial technology coupled with live financial coaching increases, we expect greater improvement in workforce financial wellness for years to come.

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Executive Summary

The financial health of the average American worker has remained steady, but the profile of the typical employee engaging in a financial wellness benefit is changing. In 2019, the percentage of financial wellness assessments completed by men under age 45 increased to 20 percent, up from 15 percent in 2016. Over that same period, the average overall financial wellness score of American workers moved from 5.4 to 5.6 (on a 10.0-point scale). This upward trend reflects improvements among employees who repeatedly engage in workplace financial wellness benefits, especially those who have actively engaged for five or more years. A quick glance at financial wellness assessments completed in 2019 uncovered a few interesting trends:

Workers requesting in-service withdrawals from their retirement plan continues to decline.
Seventeen percent requested a retirement plan loan or hardship withdrawal within the last 12 months, down from 29 percent in 2016.

Worry about the stock market and economy rises.
Nearly four in ten (39 percent) workers worry about how the stock market and U.S. economy will affect their financial future, up from 34 percent in 2016.

Three out of four workers contribute to a health savings account (HSA).
Seventy-four percent contribute to an HSA, up from 70 percent the prior year.

For this year's report, we decided to take a closer look at how various types of engagement influence changes in financial wellness. Employees that engaged in group and individual learning sessions (i.e., best practice) showed greater improvement in financial wellness than those that engaged exclusively online. The level of improvement was greatest for employees with the highest levels of financial stress:

Fully engaged employees show 80 percent more improvement.
Employees that followed a best-practice model improved their financial wellness score on average by 1.44 points, compared to an average improvement of 0.79 points by those that only engaged online. The greatest difference in improvement occurred in the areas of retirement planning and investing.

Benefit participation rates increase with level of engagement.
Fully engaged employees contributed on average 9.18 percent to a retirement plan and $1,565 a year to a tax-preferred savings account, compared to online-only employees who contributed on average 6.43 percent and $866 a year, respectively.

Best-practice model most effective for financially stressed employees.
The financial wellness score of "Suffering" employees (i.e., those with a 0–2 initial financial wellness score) improved by an average of 2.67 points when engaging in the best-practice model, compared to 1.86 points when engaging only online.

At the time of this report, America is battling the COVID-19 global pandemic. The long-term financial implications remain unclear, but a review of financial wellness assessments completed since the announcement of COVID-19 as a global pandemic shows some notable trends:

Older workers are more interested in wealth protection.
The percentage of employees age 55+ that cited "Protecting my wealth" as a top priority rose nine percentage points to 45 percent.

Six out of ten workers now cite the stock market and economy as a primary source of stress.
Sixty percent of workers worry about the stock market and U.S. economy, up from 45 percent before the outbreak.

One in four pre-retirees more likely to have a distribution strategy.
Twenty-five percent of employees age 55+ with household incomes in excess of $100,000 reported having a plan for taking distributions in retirement—an increase of seven percentage points.

Interest in working with a financial advisor grows.
The percentage of employees with household incomes in excess of $100,000 that work with a financial advisor increased from 24 percent to 29 percent over the period studied.

As in prior years, we provide a review of workplace financial wellness from the five following perspectives: 1) financial stress; 2) retirement preparedness; 3) the gender gap in financial wellness; 4) financial wellness by generation; and 5) optimizing financial wellness in a diverse workforce:

One in five workers has an unmanageable level of financial stress.
Twenty-two percent report a "high" or "overwhelming" level of financial stress, up from 20 percent in 2018. Single, African-American moms are most vulnerable to financial stress.

One in three workers is on track for retirement.
Thirty-three percent have run a retirement projection and know they are on track to achieve their income-replacement goal, up from 27 percent in 2016. Workers that engaged in financial coaching showed greater improvement in retirement preparedness than those that engaged exclusively online.

The gender gap in financial wellness widens.
The largest gaps occur in foundational areas like cash and debt management, retirement planning and investing, where men's scores are higher, but women generally perform better in areas related to tax planning and care giving.

Debt problems persist across the generations.
Nearly one in two (48 percent) Millennials has student loan debt, and one in three (33 percent) struggle to keep up with payments. Forty-one percent of Gen X workers say they are uncomfortable with their debt, and 35 percent of Baby Boomers cite getting out of debt as a top priority. For Baby Boomers, debt could be a hindrance to retirement, as only 42 percent report being on track.

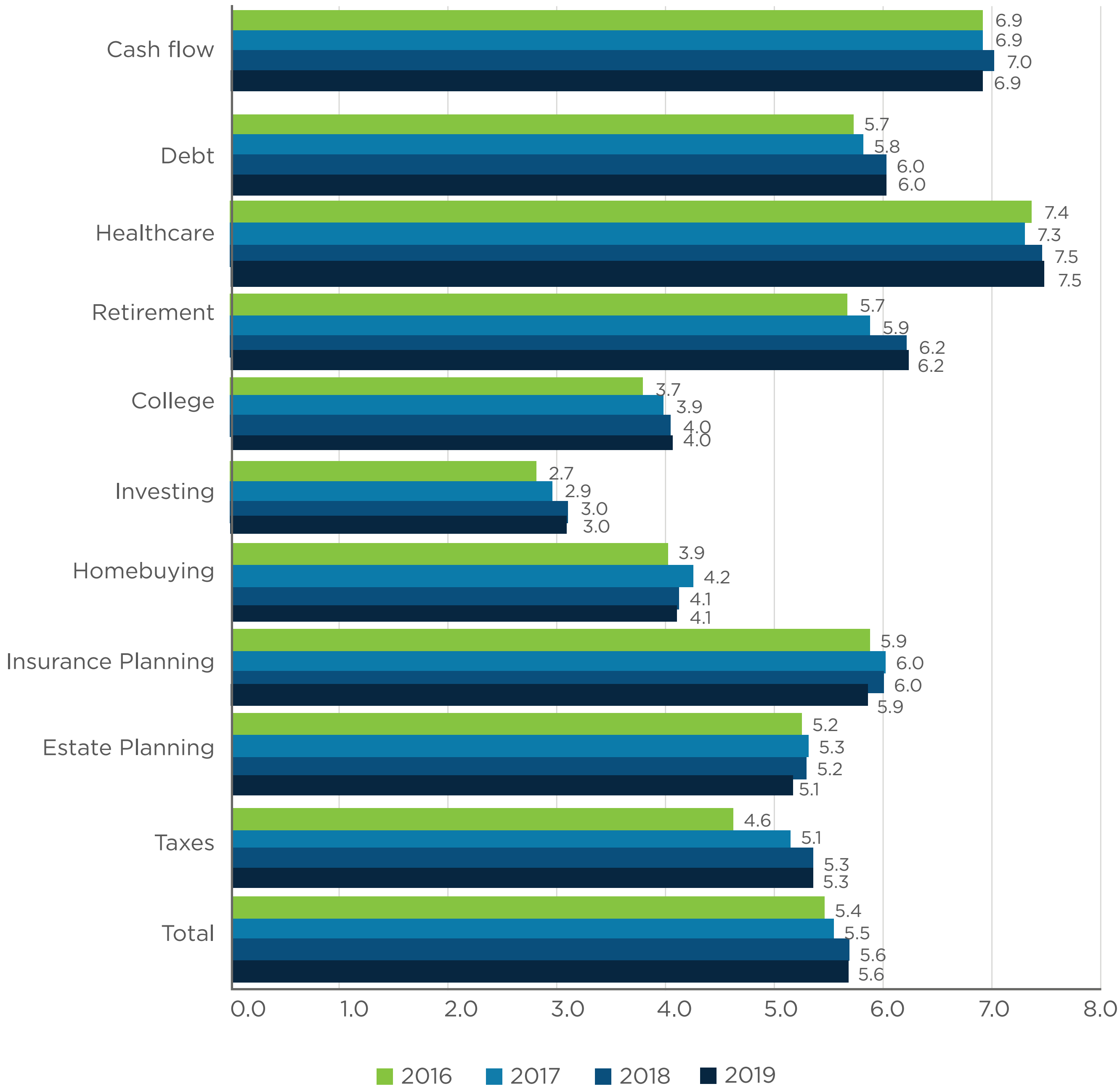
Financial stress increases among minority populations.
The percentage of African American and Hispanic workers that have high or overwhelming levels of financial stress rose 3 percentage points in 2019. On a good note, the percentage of prospective Hispanic homebuyers that have a 720+ credit score increased four percentage points to 23 percent.

2019 at a Glance

The state of financial wellness held constant in 2019 as the average overall financial wellness score of American workers, as measured by the Financial Finesse Financial Wellness Assessment,[1] remained steady at 5.6 (on a 10.0-point scale). Although cash flow wellness has remained level, improvements in debt management have correlated positively with improvements in longer-term focus areas like college and retirement planning. As student loan debt persists, we'll see if debt management wellness levels hold.

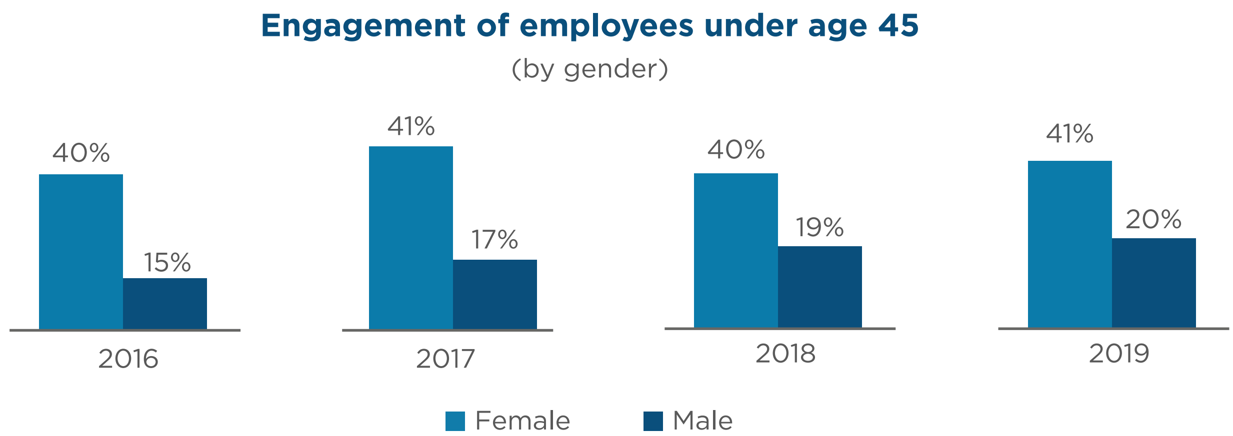
Overall Financial Wellness Score

(by area)



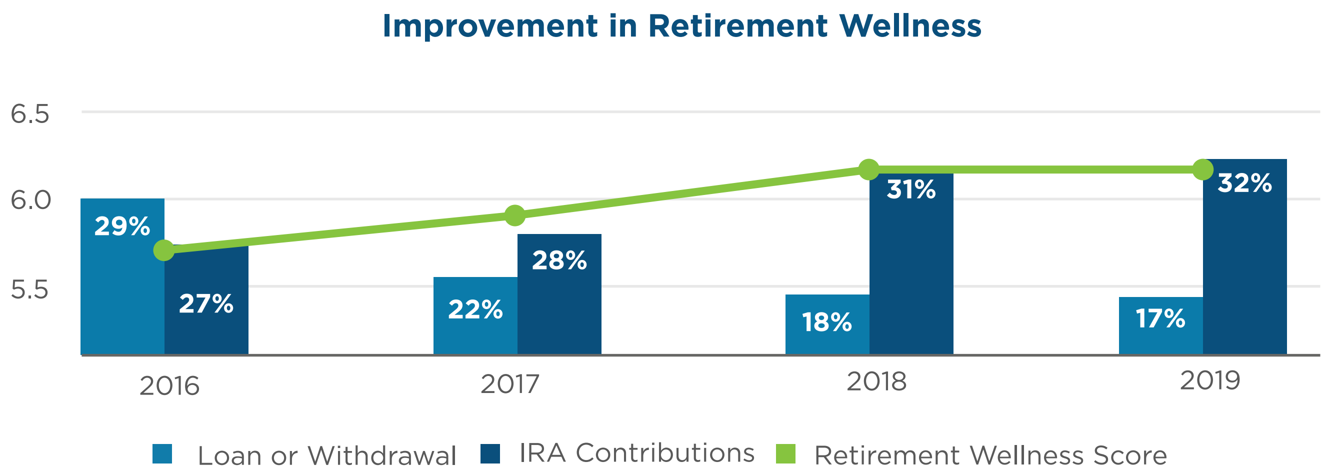
Young Men Show Increasing Engagement

Since 2016, the percentage of financial wellness assessments completed by men under age 45 has steadily increased. The increase in interest among younger workers is not surprising given the toll student loan debt is having on those entering the workforce, but the increase in interest among men is a little harder to figure out. It's possible that expansion of other benefits, such as paternal family leave, is creating more awareness and appreciation for other workplace benefits like financial wellness. Further study is needed to understand what may be contributing to this trend.



Retirement Plan Leakage Wanes

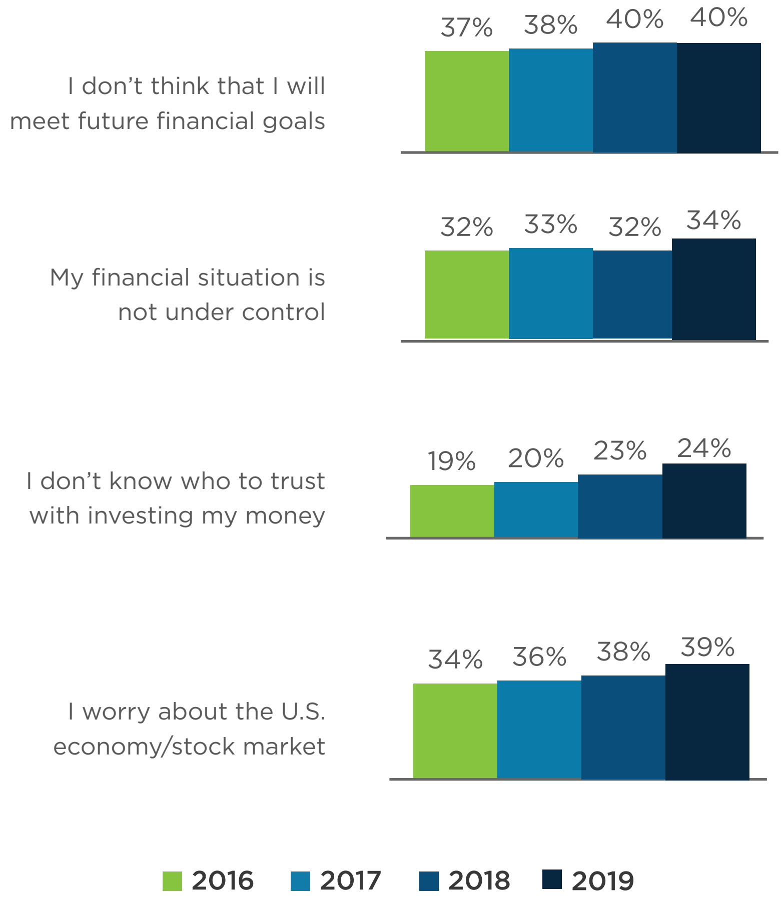
For the third year in a row, the percentage of employees that reported taking a retirement plan loan or hardship withdrawal within the last 12 months declined, from 29 percent in 2016 to 17 percent in 2019. At the same time, the percentage of workers making contributions to an individual retirement account (IRA) increased, from 27 percent in 2016 to 32 percent in 2019. Progress in these areas has helped raise the average retirement wellness score from just under 5.7 to just over 6.2 (on a 10.0-point scale).



Growing Concern over External Factors

Financial stress among the American workforce has remained level over the last four years, but the source of stress is increasingly related to external factors of which the individual has little to no control.

What are the main causes of your financial stress?

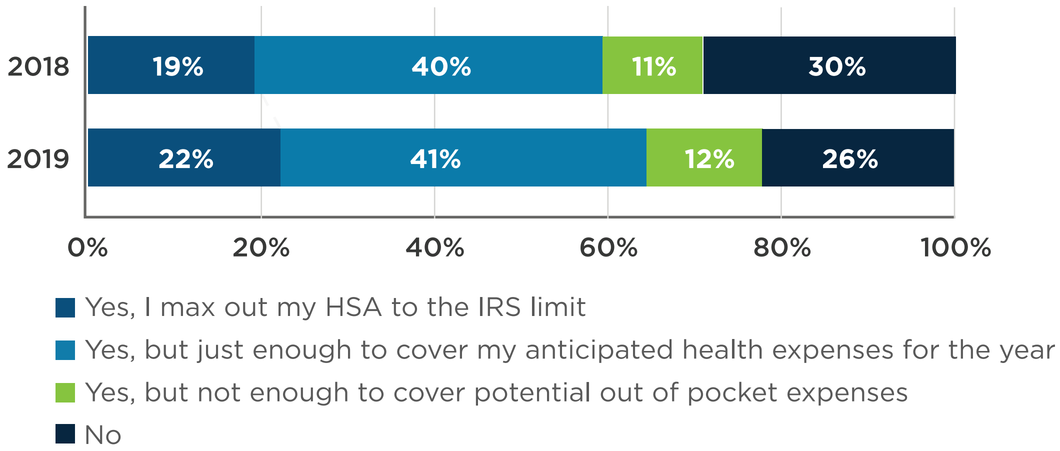


Even though the stock market posted sizeable gains in 2019, nearly four in ten (39 percent) workers cited the stock market and/or U.S. economy as a source of financial stress. Another one in four (24 percent) cited not knowing who to trust with their money. Political uncertainty may be partially to blame for the significant rise in both figures since 2016.

More Eligible Employees Contribute to a Health Savings Account

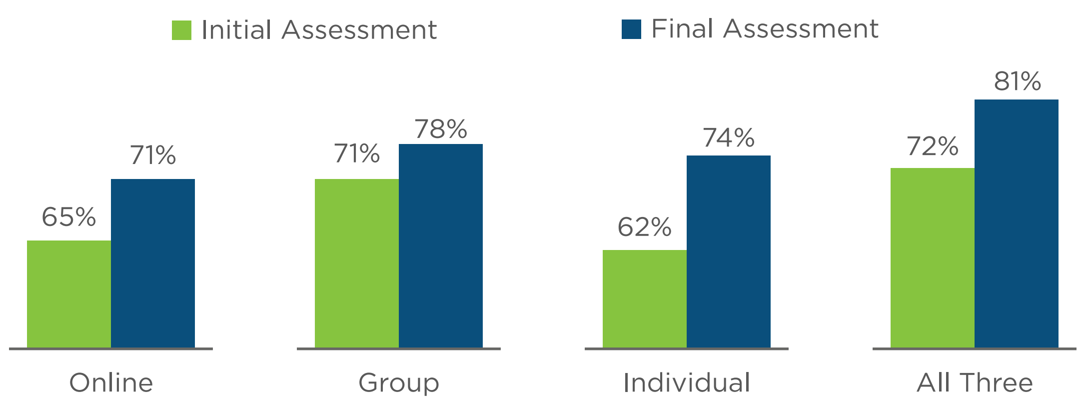
Seventy-four percent of eligible participants contributed to a health savings account (HSA), up from 70 percent in 2018. This is extremely good news given the triple tax benefits of HSA contributions. According to the Employee Benefit Research Institute (EBRI), annual contributions to an HSA increase with account tenure, as does the use of investments within the account. However, EBRI also found that 59 percent of participants withdraw funds in the same year contributions are made, limiting the advantage of tax-free growth.[2]

Do you contribute to a health savings plan (HSA)?



The percentage of eligible employees that contributed to an HSA increased following engagement with a workplace financial wellness benefit. The greatest increase in participation occurred among employees who spoke with a financial coach. For this reason, employers should encourage eligible employees to speak with a financial coach about the benefits of HSA participation.

Do you contribute to a health savings plan (HSA)?



A Closer Look:

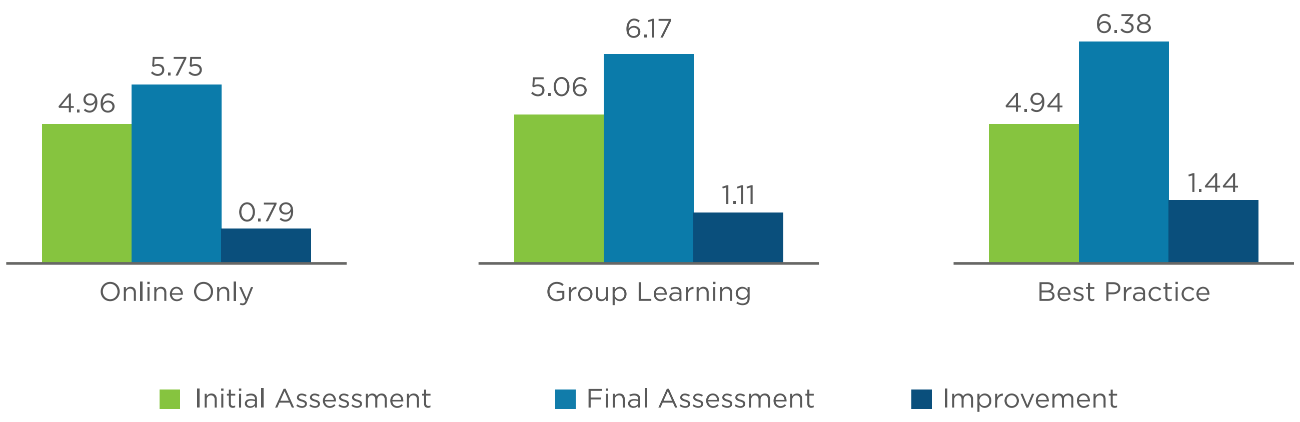
How Engagement Types Influence Financial Wellness

Last year we analyzed the financial wellness assessments of employees over a one-, three-, and five-year period to learn how time influences change in financial wellness. This year we looked at how engagement type—online, group, and individual—influences change in financial wellness. To analyze the effect, we separated employees into the following three groups:

- Online Only: Employees that completed multiple financial wellness assessments but did not participate in group or individual learning sessions.
- Group Learning: Employees that completed multiple financial wellness assessments and participated in group learning sessions but did not participate in individual learning sessions.
- Best Practice: Employees that completed multiple financial wellness assessments and participated in both group and individual learning sessions.

For each group, we compared employees' initial average overall Financial Wellness Score to their final average overall Financial Wellness Score. As expected, employees that engaged in group learning showed greater improvement in financial wellness than those that engaged exclusively online. Those that engaged in all forms of learning improved most.

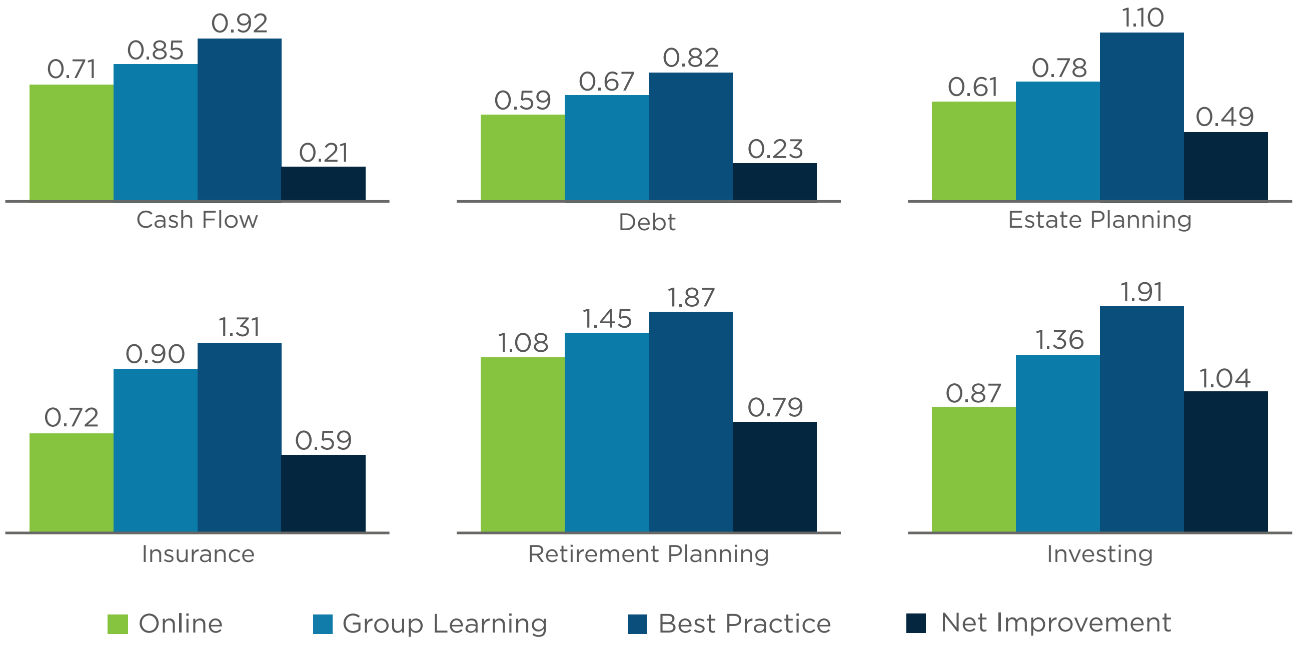
Average Overall Financial Wellness Score



Net Improvement Greatest in Retirement Planning and Investing

Repeat engagement in all forms of learning produced improvement in financial wellness across the board, but the greatest net difference between improvement among employees who engaged exclusively online and those that engaged in all forms of learning occurred in the areas of retirement planning and investing.

Improvement in Financial Wellness
(by engagement type)



Type of Engagement Influences Retirement Plan Deferral Rates and Contributions to Health Savings and Flexible Spending Accounts

Employees that engaged in all forms of learning had a 43 percent higher retirement plan deferral rate and an 81 percent higher annual contribution to a health savings account (HSA) or healthcare flexible spending account (FSA) than employees that engaged exclusively online.

	Online Only	Group Learning	Best Practice
Average Retirement Plan Contribution Rate	6.43%	8.01%	9.18%
Average HSA/FSA Contribution Amount	$866	$1,313	$1,565

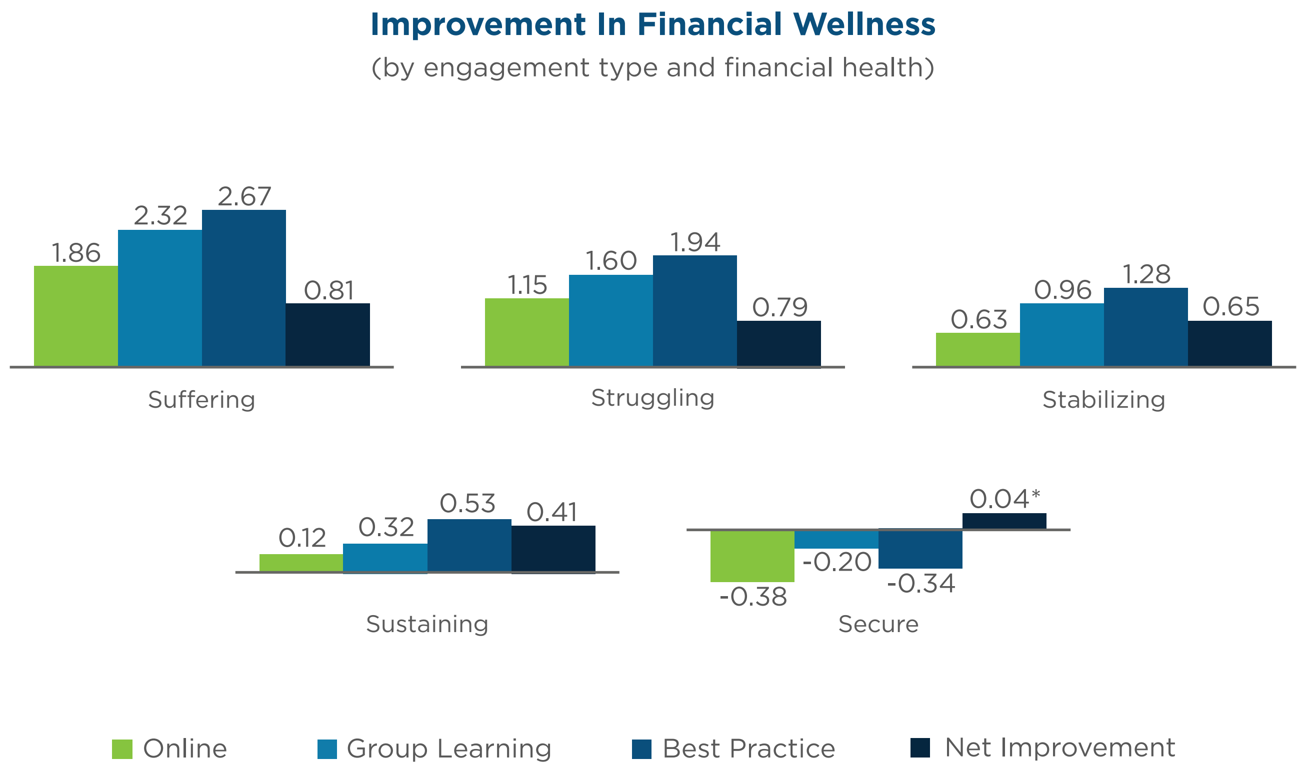
Type of Engagement Influences Financial Behavior

A look at employees' most recent completed financial wellness assessment reveals greater results for employees that engaged in all forms of learning:

	Online Only	Group Learning	Best Practice
I have a handle on my cash flow	75%	79%	79%
I have an emergency fund to cover unexpected expenses	49%	57%	62%
I pay my bills on time each month	88%	92%	94%
I am comfortable with the amount of debt I have	58%	64%	67%
I regularly pay off my credit card balances in full	52%	58%	65%
I have a high credit score (720+)	21%	31%	35%
I am on track to reach my income goal in retirement	40%	49%	56%
I feel confident my investments are allocated appropriately	57%	62%	64%
I am comfortable with investment basics and how to apply them	34%	40%	47%
I contribute the maximum to my health savings account (HSA)	13%	19%	26%
I contribute to a college savings plan	18%	26%	27%
I have legal documents such as a will or trust	30%	36%	40%
Average Overall Financial Wellness Score	**5.8**	**6.2**	**6.4**

Best Practice Model Most Effective for Financially Stressed Employees

Although there is a tendency to look at the workforce as a single unit, employers increasingly need to segment their workforces from a financial wellness perspective because of the disparity in financial stress and behavior that exists among coworkers. For this reason, we looked at how engagement type influences financial wellness across the five levels of financial health first reported in our 2016 ROI Special Report.[3] We found that employees from the "Suffering" to "Sustaining" financial health levels benefited most from a combination of group and individual learning sessions, but the greatest difference between improvement by those that engaged in all forms of learning and those that engaged exclusively online—what we are calling "net improvement"—occurred among employees with the lowest levels of financial health.



Pages 14 through 23 contain more information on how engagement type influences financial wellness across each level of financial health. For a summary of this analysis, go to our COVID-19 special report The Impact of a New Normal: The Beginning Stages.

* In this instance net improvement represents less regression under the Best Practice model.

A Note about Regression in Financial Wellness

For the most financially healthy employees maintaining optimal financial health can be challenging, but decreases in financial wellness are more likely a function of changes in circumstances than lapses in financial behavior. For example, employees that have switched from a low-deductible to high-deductible health plan now have the onus of saving more for medical expenses, while employees who have advanced in their career may no longer have enough life insurance coverage to replace their higher incomes. These and other more advanced financial concerns generally take more time to correct which is why we believe the decrease in financial wellness for this cohort may be temporary.

	Online Only		Group Learning		Best Practice	
Assessment for "Secure" Employees	**First**	**Most Recent**	**First**	**Most Recent**	**First**	**Most Recent**
I have a handle on my cash flow	100%	97%	89%	98%	99%	100%
I have an emergency fund to cover unexpected expenses	97%	93%	99%	97%	95%	95%
I am on track to reach my income goal in retirement	94%	90%	90%	93%	89%	94%
I have taken a retirement plan loan or withdrawal in the last 12 months	4%	13%	5%	7%	0%	13%
I feel confident my investments are allocated appropriately	97%	96%	97%	97%	95%	95%
I am comfortable with investment basics and how to apply them	90%	87%	93%	92%	91%	90%
I have legal documents such as a will or trust	90%	86%	91%	89%	87%	87%
I carry enough life insurance to replace my income	99%	96%	99%	98%	97%	92%
I have a high deductible health plan	62%	68%	70%	77%	65%	81%
I contribute the maximum to my health savings account (HSA)	50%	47%	52%	51%	55%	52%
Average Overall Financial Wellness Score	**9.1**	**8.7**	**9.1**	**8.9**	**9.0**	**8.7**

Breakdown of Employees by Segments

	Suffering	Struggling	Stabilizing	Sustaining	Secure
Percentage of Population	6%	24%	36%	26%	8%
Average Age	42.9 YEARS	43.4 YEARS	43.9 YEARS	46.1 YEARS	49.3 YEARS
Average Income	$51,916	$60,745	$71,791	$86,390	$99,891
Married	39%	49%	55%	61%	70%
Minor Children	57%	51%	41%	37%	38%
Homeowner	30%	48%	61%	72%	82%
High/Overwhelming Financial Stress	74%	46%	16%	4%	1%

Suffering

	Online Only	Group Learning	Best Practice
I have a handle on my cash flow	40%	44%	44%
I have an emergency fund to cover unexpected expenses	18%	22%	24%
I pay my bills on time each month	63%	69%	74%
I am comfortable with the amount of debt that I have	26%	31%	30%
I regularly pay off my credit card balances in full	23%	25%	31%
I have a high credit score (720+)	5%	7%	7%
I am on track to reach my income goal in retirement	16%	20%	35%
I feel confident my investments are allocated appropriately	24%	35%	40%
I am comfortable with investment basics and how to apply them	10%	11%	12%
I contribute the maximum to my health savings account (HSA)	5%	8%	8%
I contribute to a college savings plan	3%	7%	5%
I have legal documents such as a will or trust	12%	13%	16%
Average Overall Financial Wellness Score	**3.6**	**4.1**	**4.4**

Struggling

	Online Only	Group Learning	Best Practice
I have a handle on my cash flow	63%	69%	70%
I have an emergency fund to cover unexpected expenses	30%	38%	47%
I pay my bills on time each month	82%	89%	91%
I am comfortable with the amount of debt that I have	42%	48%	54%
I regularly pay off my credit card balances in full	36%	40%	53%
I have a high credit score (720+)	12%	21%	26%
I am on track to reach my income goal in retirement	23%	34%	42%
I feel confident my investments are allocated appropriately	39%	47%	53%
I am comfortable with investment basics and how to apply them	15%	20%	28%
I contribute the maximum to my health savings account (HSA)	7%	9%	17%
I contribute to a college savings plan	9%	14%	16%
I have legal documents such as a will or trust	17%	22%	27%
Average Overall Financial Wellness Score	**4.7**	**5.2**	**5.5**

Stabilizing

	Online Only	Group Learning	Best Practice
I have a handle on my cash flow	84%	85%	87%
I have an emergency fund to cover unexpected expenses	56%	64%	70%
I pay my bills on time each month	94%	97%	98%
I am comfortable with the amount of debt that I have	66%	70%	75%
I regularly pay off my credit card balances in full	56%	62%	71%
I have a high credit score (720+)	28%	42%	54%
I am on track to reach my income goal in retirement	41%	51%	59%
I feel confident my investments are allocated appropriately	58%	65%	66%
I am comfortable with investment basics and how to apply them	31%	41%	52%
I contribute the maximum to my health savings account (HSA)	12%	18%	27%
I contribute to a college savings plan	20%	29%	34%
I have legal documents such as a will or trust	29%	35%	42%
Average Overall Financial Wellness Score	**6.1**	**6.4**	**6.7**

Sustaining

	Online Only	Group Learning	Best Practice
I have a handle on my cash flow	93%	95%	94%
I have an emergency fund to cover unexpected expenses	80%	85%	86%
I pay my bills on time each month	98%	99%	100%
I am comfortable with the amount of debt that I have	83%	86%	88%
I regularly pay off my credit card balances in full	75%	80%	85%
I have a high credit score (720+)	49%	62%	66%
I am on track to reach my income goal in retirement	69%	74%	80%
I feel confident my investments are allocated appropriately	84%	85%	86%
I am comfortable with investment basics and how to apply them	63%	71%	77%
I contribute the maximum to my health savings account (HSA)	25%	33%	43%
I contribute to a college savings plan	40%	52%	57%
I have legal documents such as a will or trust	53%	57%	63%
Average Overall Financial Wellness Score	**7.5**	**7.7**	**7.9**

Secure

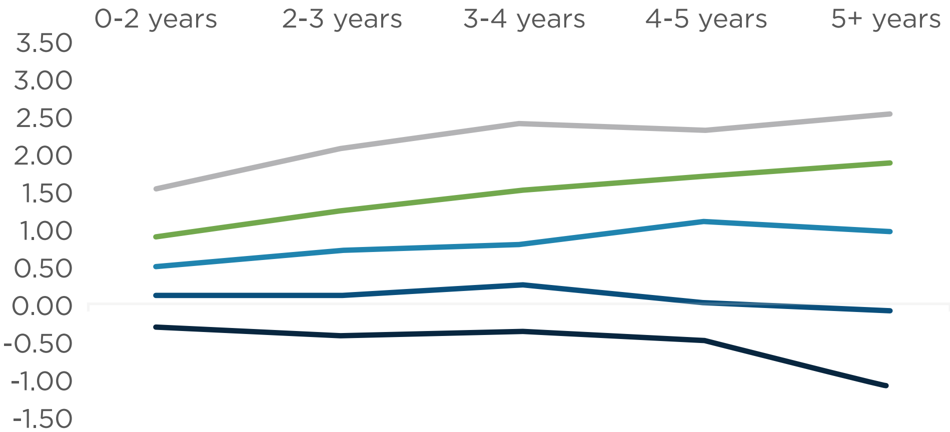
	Online Only	Group Learning	Best Practice
I have a handle on my cash flow	97%	98%	100%
I have an emergency fund to cover unexpected expenses	93%	97%	95%
I pay my bills on time each month	99%	100%	100%
I am comfortable with the amount of debt that I have	94%	95%	98%
I regularly pay off my credit card balances in full	89%	93%	95%
I have a high credit score (720+)	68%	71%	100%
I am on track to reach my income goal in retirement	90%	93%	94%
I feel confident my investments are allocated appropriately	96%	97%	95%
I am comfortable with investment basics and how to apply them	87%	92%	90%
I contribute the maximum to my health savings account (HSA)	47%	51%	52%
I contribute to a college savings plan	65%	65%	70%
I have legal documents such as a will or trust	86%	89%	87%
Average Overall Financial Wellness Score	**8.7**	**8.9**	**8.7**

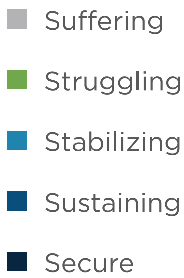
Financially Stressed Employees Improve Most in Least amount of Time

Finally, we looked at how time influenced changes in financial wellness across engagement type and financial health. In most cases improvement rose steadily over time, with employees in the lowest tiers of financial health exhibiting the greatest level of improvement in the least number of years. Interestingly, employees with low financial health that engaged in all forms of learning exhibited more improvement in financial wellness on average in the first three years than most of their counterparts in over five years.

Improvement In Financial Wellness - Online Only

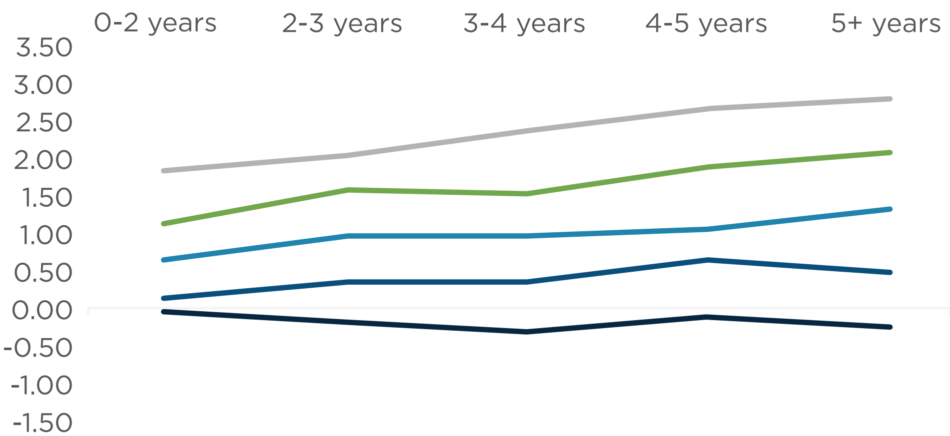
(by financial health and years of engagement)





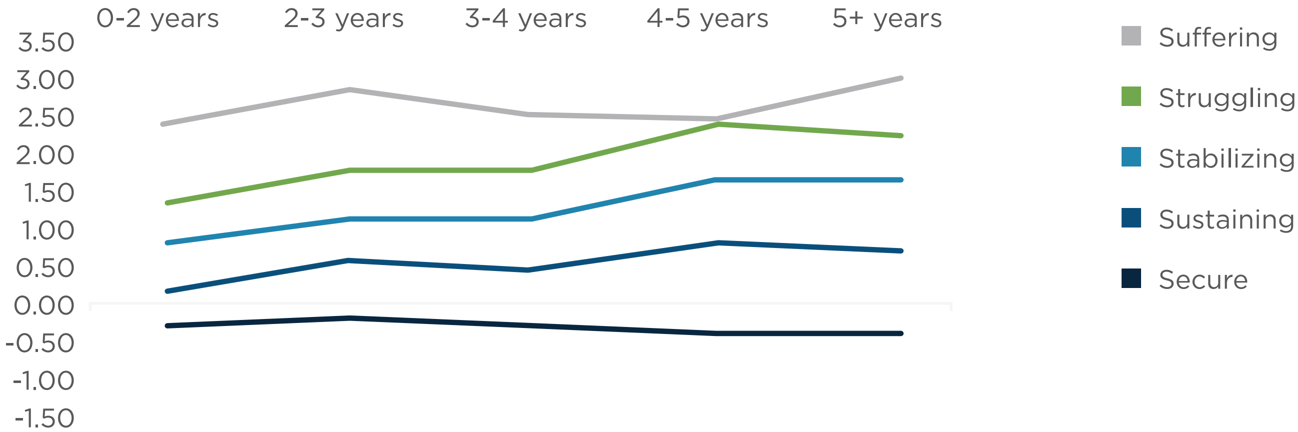
Improvement In Financial Wellness - Group Learning

(by financial health and years of engagement)



Improvement In Financial Wellness - Best Practice

(by financial health and years of engagement)



The best-practice model proved most advantageous for the most financially stressed group:

	Online Only		Group Learning		Best Practice	
Assessment for "Suffering" Employees	**First**	**Most Recent**	**First**	**Most Recent**	**First**	**Most Recent**
I have a handle on my cash flow	15%	40%	13%	44%	12%	44%
I have an emergency fund to cover unexpected expenses	3%	18%	6%	22%	5%	24%
I pay my bills on time each month	42%	63%	47%	69%	50%	74%
I am comfortable with the amount of debt I have	8%	26%	8%	31%	12%	30%
My financial stress level is high or overwhelming	65%	47%	61%	38%	70%	41%
Average Overall Financial Wellness Score	**1.7**	**3.6**	**1.8**	**4.1**	**1.7**	**4.4**

Why This is Good News for Employees and Employers

Given the higher than average levels of financial stress in the workforce, these findings:

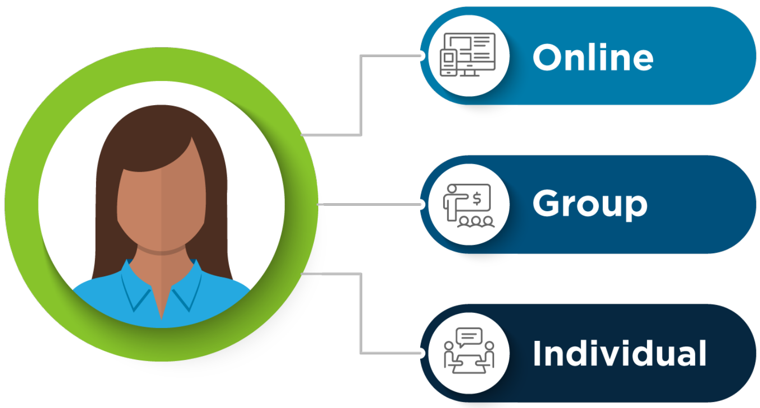
1. **Show how a multi-channel financial wellness program that combines online, group, and individualized coaching can have the greatest impact on employees with the greatest need.** Such programs can be a major driver in reducing inequality in financial wellness that is exacerbated by the COVID-19 pandemic and is becoming a bigger issue in both our workforces and communities.

2. **Provide employers a roadmap for the deployment of COVID-19 relief efforts toward suffering and struggling employees.** This includes everything from special COVID-19 relief programs that address critical needs to easy-to-access financial tools and counseling that can be used immediately to get employees through a crisis. Ideally, employees would begin working towards financial stability through a process that may require proactive, on-demand access to a dedicated financial coach.

3. **Offer a great opportunity for employers to do well AND do good.** Employers see significant cost savings when suffering employees attain financial stability due to reductions in financial stress that improve mental and physical health, productivity, and employee engagement. Given the relationship between healthcare and financial stress,[4] moving even a portion of financially struggling employees to financial stability can have a tremendous impact on the bottom line.

For this report we examined the effectiveness of offering online, group, and individual learning sessions to financially stressed employees as part of an ongoing, multi-channel financial education and coaching benefit. Engaging in all three types of learning is considered a best practice.

Financial Wellness Best Practice Model



The Financial Implications of COVID-19

No one knows for certain the long-term effects this pandemic will have on financial wellness, but a review of financial wellness assessments completed by the same employees prior to and following March 11, 2020—the day the World Health Organization (WHO) labeled COVID-19 a pandemic[5]—shows some notable trends:

Interest in Wealth Protection Grows

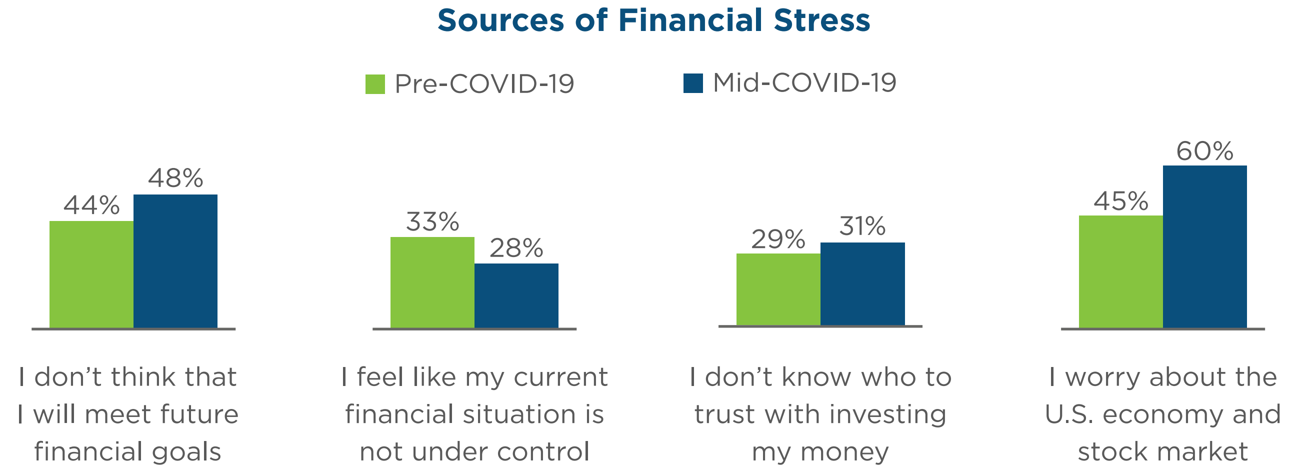
More employees are citing "Protecting my wealth" as a primary concern, which makes sense as asset values have dropped substantially following the outbreak of COVID-19. Employees that may have once anticipated retirement based on prior asset values are having to reconsider their plans. Concern for protecting wealth has risen most for older employees (i.e., age 55+).

Percentage Citing "Protecting My Wealth" as a Most Important Topic

	Pre-COVID-19	Mid-COVID-19
Age		
Under 30	7%	11%
30-44	13%	17%
45-54	21%	24%
55+	36%	45%
Income		
Under $60,000	11%	18%
$60,000-$100,000	16%	23%
$100,000+	25%	29%
Gender		
Female	16%	24%
Male	25%	29%

Worry about the U.S. Economy and Stock Market Rises

Among employees that completed a financial wellness assessment before and after the WHO announcement, the percentage that cited worry about the U.S. economy and stock market as a primary source of financial stress rose 15 percentage points to 60 percent.



A change of this magnitude should grab employers' attention. Now is the time for employers to provide security and perspective to calm employee fears and to help them understand that historically those who try to time the market generally fare worse than those who stay invested. Any efforts deployed through a retirement plan record keeper or financial wellness provider has the potential to make a significant difference in employees' retirement preparedness and long-term financial security.

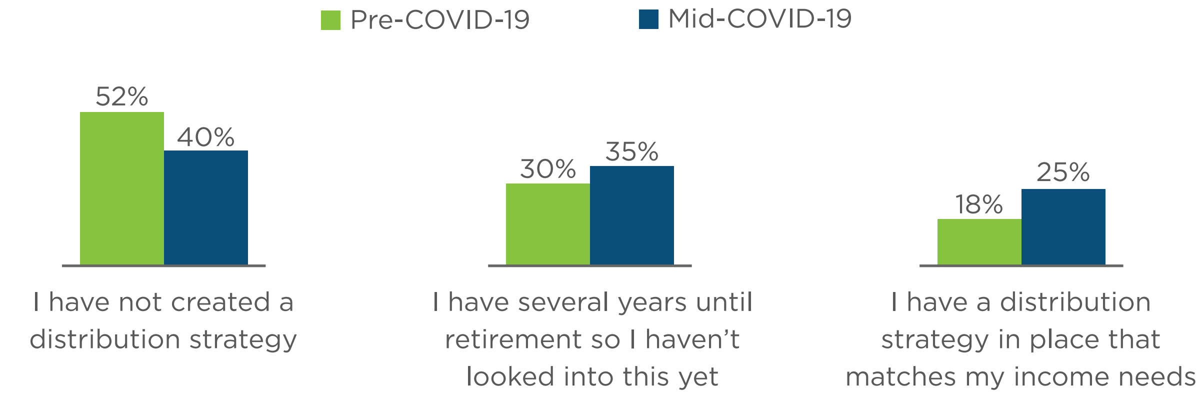
Despite the decrease in the percentage of employees that cite lack of control over their current financial situation as a source of financial stress, uncertainty about reaching future financial goals is on the rise. This may indicate employees' belief that the financial implications of COVID-19 will be long lasting and may have a significant impact on their ability to achieve key financial goals even after this is over.

Lastly, there is a hint of growing anxiety about not knowing who to trust with investing money. We expect scams to increase during COVID-19 which will likely cause greater uncertainty among employees. Since 80 percent of U.S. employees trust their employers to do what is right,[6] employers have a responsibility to ensure any information, education, or guidance provided to employees comes from a reliable source free of any conflicts of interest.

High Income Pre-Retirees More Likely to Have a Distribution Strategy

Employees age 55+ with household incomes in excess of $100,000 were asked about plans for taking distributions in retirement. The percentage of the group studied that have not created a distribution strategy fell from 52 percent to 40 percent, while the percentage that has taken the step of creating a distribution strategy rose from 18 percent to 25 percent. It's possible that some within this group have reevaluated their proximity to retirement following recent market declines.

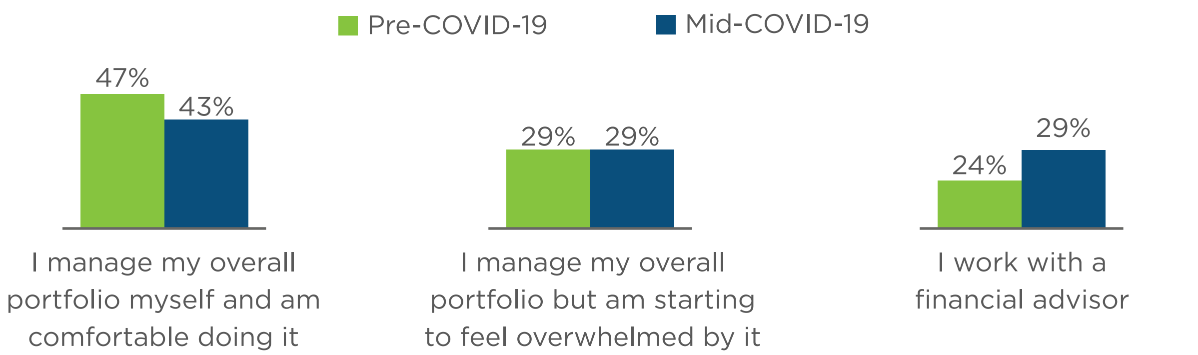
What are your plans for taking distributions in retirement?



Investors Less Comfortable Managing Their Own Investments

Employees with household incomes in excess of $100,000 were asked how they manage their investments. The percentage of the group studied that feel comfortable managing their own portfolio fell from 47 percent to 43 percent, while the percentage that work with a financial advisor rose from 24 percent to 29 percent. Among this group, only 28 percent cite not knowing who to trust with investing money as a primary source of financial stress mid-COVID-19.

Who manages your overall investment portfolio?



Employers Can Help Employees at All Levels of Financial Health

We believe employers are best positioned to help employees cope with day-to-day financial and emotional stress while navigating the challenging days ahead. In order to provide the best support in the most efficient way, employers must properly identify who within their workforce falls into each of the financial health levels discussed in this report. This can be done through a workforce financial wellness assessment, a demographic analysis, or by measuring financial stress metrics such as retirement plan leakage, garnishment, or benefit utilization.

To gain the most traction, employers will want to focus their efforts on their most financially stressed populations first. If possible, offer ongoing financial coaching delivered through a multi-channel model supported by the following initiatives:

- **Bank-at-work programs**: Many organizations have a relationship with a financial institution that may offer workshops, calculators, and other cash management resources to help employees prioritize expenses and take control of their cash flow.

- **Debt and credit counseling and coaching**: With so many creditors offering deferment and/or forbearance on debt payments employees may find this type of coaching practical and necessary.

- **Employee Assistance Funds (EAFs)**: Employers that maintain an EAF can initiate awareness campaigns and develop a streamlined application process.

- **COVID-19 Resource Portal**: Work with existing benefit providers to develop a centralized source for information on internal and external COVID-19-related resources.

- **Caretaker benefits and resources**: Support employee childcare and eldercare needs resulting from shelter-in-place orders.

While the effects of the COVID-19 crisis have been widespread and persistent, the financial impacts have been particularly harrowing. Rising unemployment numbers increase the probability that someone may lose their job, and ongoing school closures send employees with children scrambling for childcare, requesting flexible or reduced work hours, or both. This can add insult to injury, especially if the household was already under financial stress.

Although it may seem overwhelming for employers to understand how to address these concerns, the solution lies in helping employees understand how to leverage employer-provided benefits and resources. Consider these ways of bringing timely, relevant, and actionable information and support when and where it is most needed during this crisis:

1. **Curate an internal webpage for COVID-19 related benefits information.** Call out how each benefit is useful during this time (e.g., how an EAP can assist in stress mitigation) and provide information and updates on federal, state, and local legislation and resources. Avoid putting too much information on the website. Instead, rotate benefit information regularly and provide instructions for how employees can contact the benefits department if they have questions.

2. **Identify where financially stressed employees may go for assistance and meet them there.** With the overwhelming amount of stress employees may feel at this time, it is unlikely they will take extra steps to seek assistance. Include information on financial wellness benefits in disability paperwork and make holistic financial coaching available to those requesting COVID-19 related retirement plan distributions. If your firm offers an internal employee assistance program, extend holistic financial wellness resources to employees requesting assistance regardless of grant eligibility. When appropriate, develop warm-transfer protocols between existing benefit providers.

3. **Put your benefit partners to work!** Many benefit providers track information that can be used to identify trends within the workforce. Use this information to keep resources on your internal COVID-19 webpage relevant and take advantage of any additional employee-facing resources they may have developed specifically related to current events. If you're short on time, email the same message to all benefit partners at once utilizing the bcc: address line.

4. **Divide (your employee population) and conquer.** While it's obvious that recent events may impact some populations more than others, the way information is offered rarely reflects this. For example, pre-retirees may be feeling anxious about their ability to retire on time while those in the "sandwich" generation worry about taking care of both parents and children. Identify these groups and provide content and support specific to their concerns. This can remove potential irrelevance in messaging, and help employees better understand what is available to address their specific concerns.

To help employers address some of the financial challenges facing their workforce, we are hosting the www.financialfinesse.com/getaccess website. This site contains a suite of COVID-19 resources designed to help people who may be in financial crisis, out of work, or just looking to be more financially prepared for the days ahead. This site is available to the public, and we hope it provides some relief from the financial stress associated with this pandemic.

By the Numbers:

Financial Stress in America

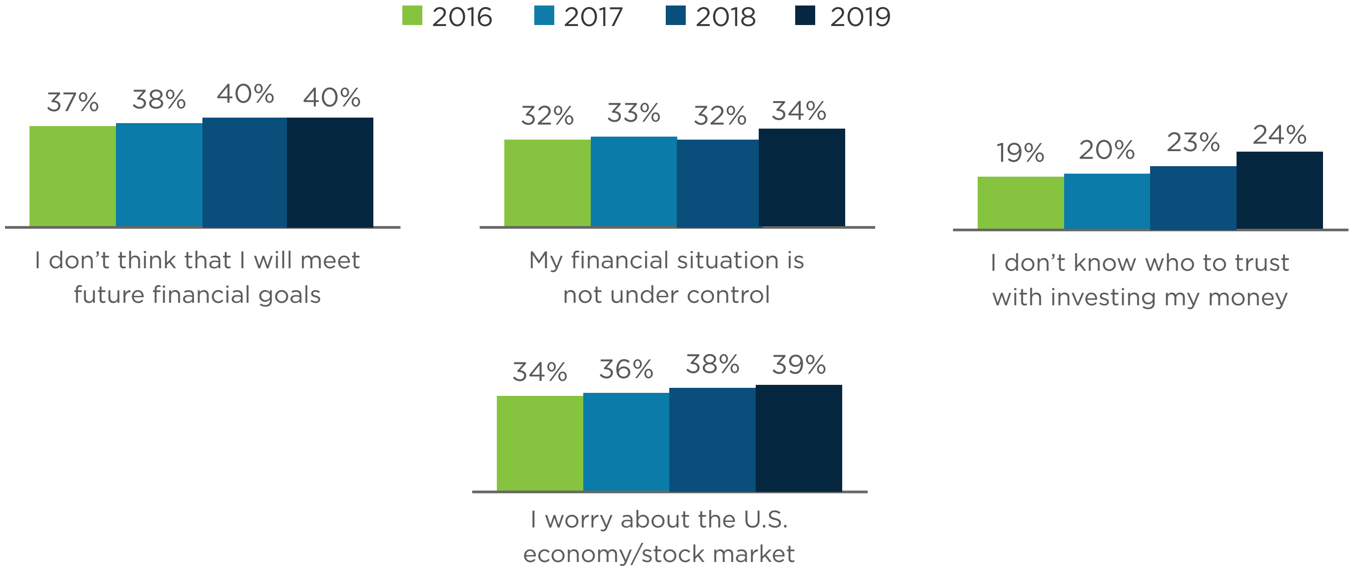
Employee Financial Stress

Financial stress levels edged up in 2019, with 22 percent of employees that took a financial wellness assessment indicating "high" or "overwhelming" levels of financial stress, versus 20 percent in 2018.

Financial Stress Levels	2018	2019
No financial stress	19%	19%
Some financial stress	61%	59%
High or overwhelming financial stress	20%	22%

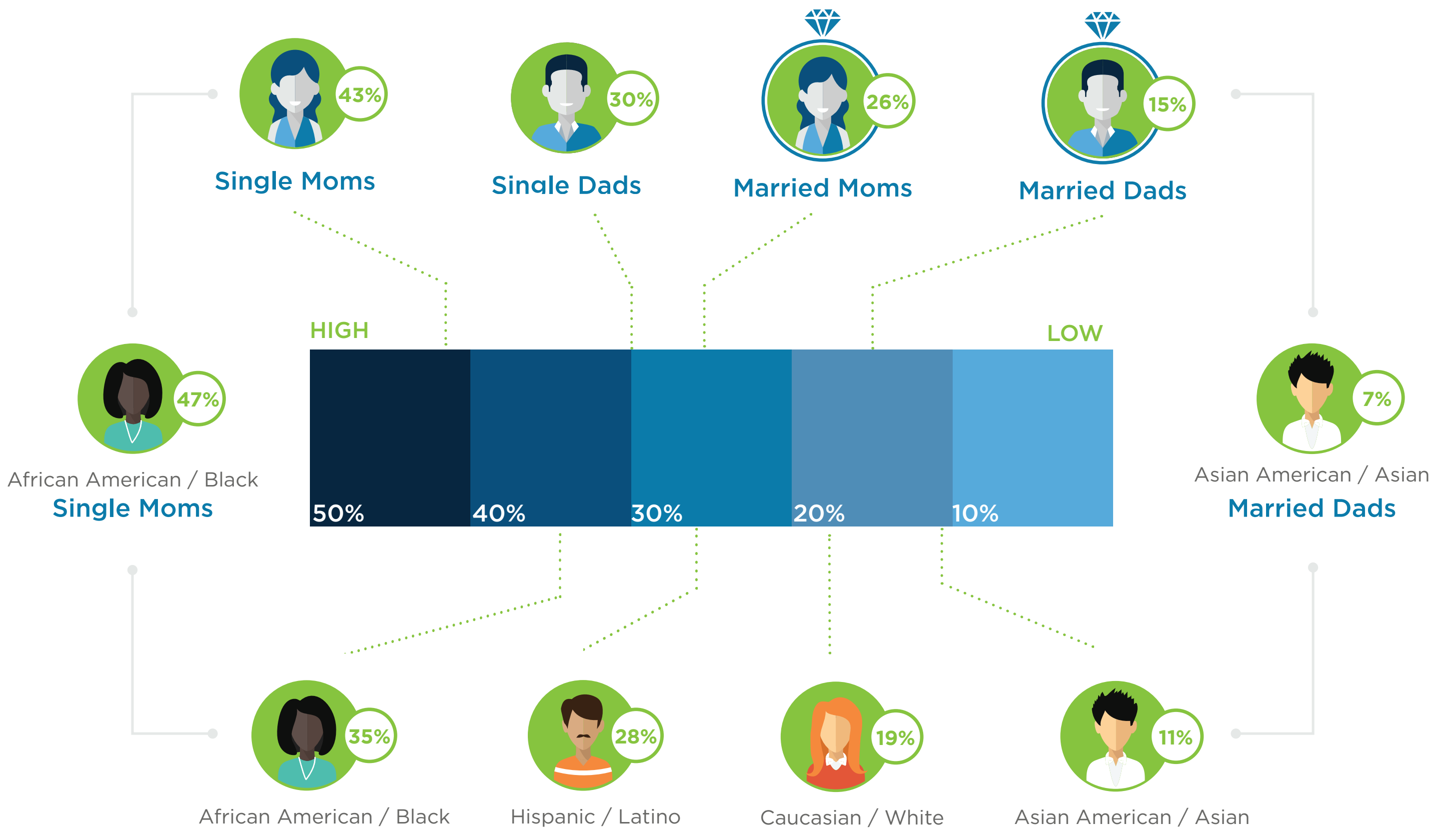
Lack of confidence in meeting future financial goals continues to be cited most often as a main source of stress, followed closely by concern about the U.S. economy, lack of control over current financial situation, and not knowing who to trust with money. A sharp decline in the stock market at the end of 2018 may have influenced some of the increase in financial stress at the beginning of the year, and political discourse over the impeachment of President Donald J. Trump may have influenced some of the increase in financial stress toward the end of the year.

What are the main causes of your financial stress?



Financial Stress Increases Most Among Minority Single Moms

The percentage of African American and Hispanic employees reporting unmanageable levels of financial stress—i.e., "high" or "overwhelming" financial stress—increased three percentage points, from 32 percent and 25 percent in 2018 to 35 percent and 28 percent in 2019, respectively. The percentage of single moms reporting unmanageable levels of financial stress also increased three percentage points, from 40 percent in 2018 to 43 percent in 2019. Surprisingly, there was a slight decrease in the percentage of single and married dads reporting unmanageable levels of financial stress, from 31 percent and 16 percent in 2018 to 30 percent and 15 percent in 2019, respectively. Consequently, the gap between single, African American moms and married, Asian American dads widened to 40 percentage points in 2019.

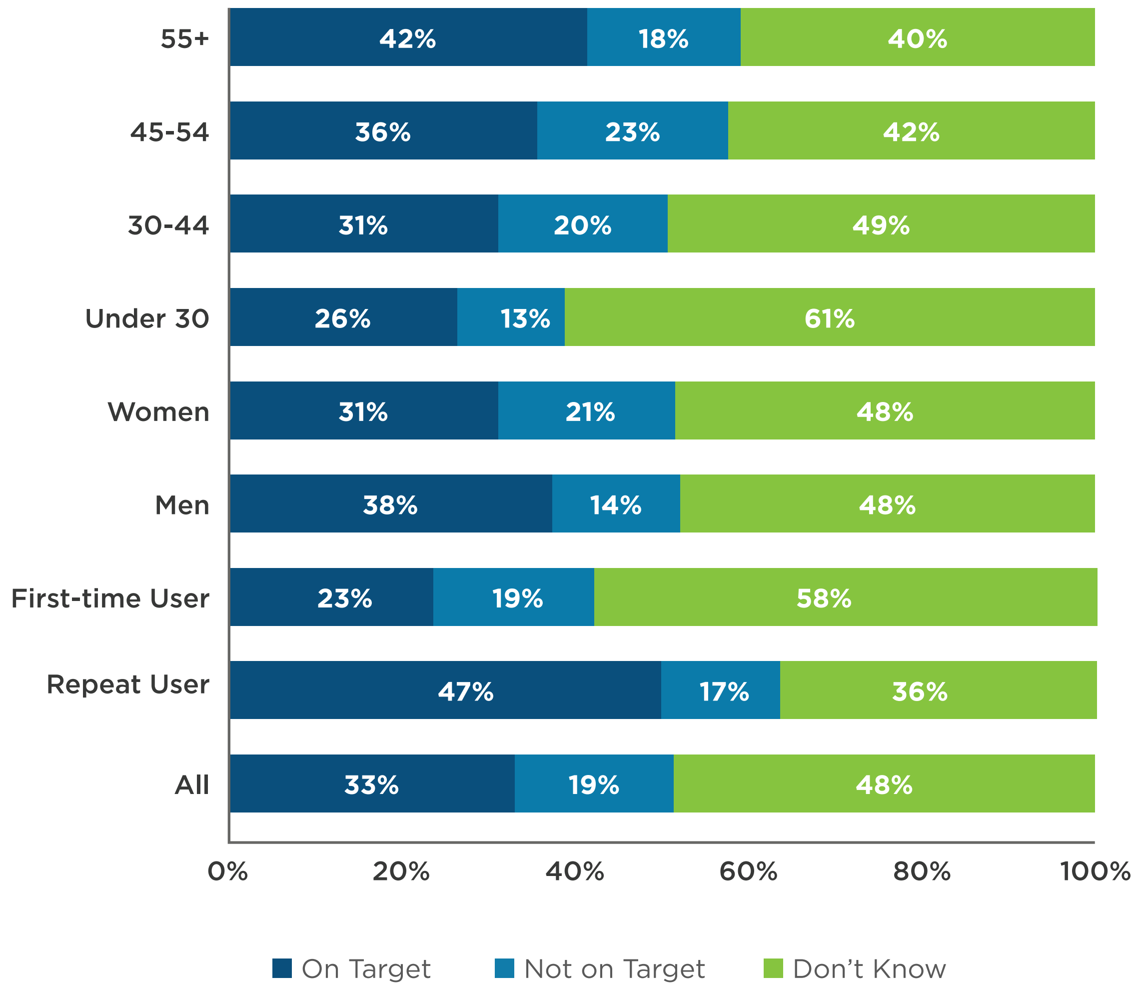


Unmanageable financial stress often occurs when employees live paycheck to paycheck with little or no emergency savings. Any unexpected financial event, such as a medical emergency, car accident, or loss of income due to illness or injury, could set off a cascade of financial problems. If left unchecked, workplace financial stress can lead to poor productivity, unplanned absenteeism, increased healthcare costs, and higher occurrences of disability.[7]

By the Numbers:
The Current State of Retirement Preparedness

One in three employees (33 percent) reported being on track to reach their retirement goals, remaining unchanged from the prior year. The actual percentage of on-track employees is likely higher given that nearly half (48 percent) have failed to take the first critical step of running a retirement projection. Employees that repeatedly engage in their financial wellness benefit are 50 percent more likely to run a retirement projection than those that engage in their benefit for the first time.

State of Retirement Preparedness
(by demographic)



Ninety-three percent participate in their employer-sponsored retirement plan, down slightly from 2018, but only 79 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.

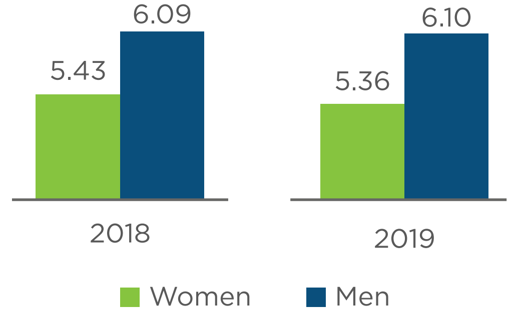
	2016	2017	2018	2019
I contribute to my retirement plan at work	92%	92%	94%	93%
I save enough to get the full company match	77%	76%	79%	79%
I have taken a retirement plan loan or withdrawal in the last 12 months	29%	22%	18%	17%
I am on track to reach my retirement goal	27%	31%	33%	33%

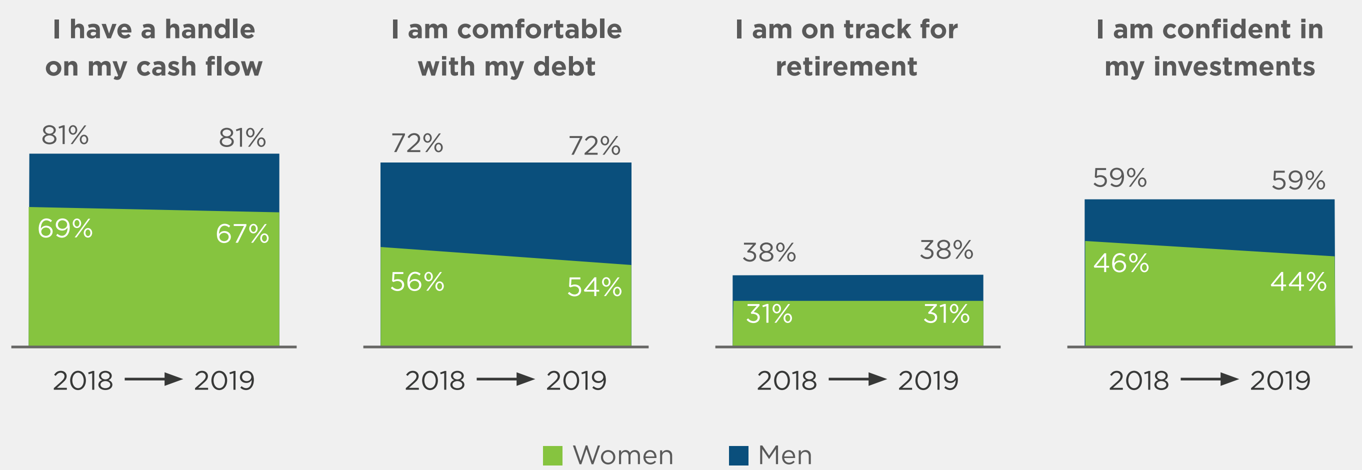
On a bright note, the percentage of employees that requested a retirement plan loan or withdrawal within the last 12 months continued to decrease from 29 percent in 2016 to 17 percent in 2019. This may help explain some of the improvement in overall retirement preparedness over that same period. This steady decline in loan taking can be attributed to an increase in plan sponsors offering financial coaching to employees requesting plan loans—an example of how retirement preparedness integrates into a holistic financial wellness approach.

By the Numbers:
The Gender Gap in Financial Wellness

The Gap Widens

Women's financial wellness moved slightly down in 2019 while men's financial wellness remained practically unchanged, causing the gap in average overall financial wellness score to widen slightly to 0.74 (on a 10.0-point scale). The most notable gaps remain in the areas of cash and debt management, retirement preparedness, and investor confidence.





More women suffered unmanageable levels of financial stress in 2019 than in the prior year. Of those experiencing financial stress, there was an increase in the percentage citing lack of control over their current financial situation as a primary source. Men's financial stress levels remained unchanged.

	Women		Men	
Financial Stress Levels	2018	2019	2018	2019
High or overwhelming financial stress	23%	26%	14%	14%
I feel like my current financial situation is not under control	36%	38%	25%	25%

Gaps in Investment Confidence Persist

The biggest gap remains in investing, where men score nearly two points higher than women. Fifty-five percent of men are comfortable with investment basics and how to apply them, compared to 26 percent of women. Seventy-three percent of men say they have taken a risk tolerance assessment, and 38 percent look at all their accounts to create a master asset allocation strategy. For women, 58 percent have taken a risk tolerance assessment, and only 22 percent have looked at all their accounts for an overall asset allocation strategy.

	Women	Men
Investment Confidence Wellness Score	**2.4**	**4.2**
I am comfortable with the investment basics and how to apply them	26%	55%
I have taken a risk tolerance assessment	58%	73%
I look at all my accounts to develop a master asset allocation strategy	22%	38%
I don't know very much about investing	43%	19%

While women were twice as likely to take the financial wellness assessment, they had significantly less investment confidence with 43 percent claiming they know very little about investing, compared to 19 percent of men. This is consistent with research conducted by the Investor Education Foundation and Global Financial Literacy Excellence Center, which found that male investors were more likely than their female counterparts to answer investment-related questions correctly.[8]

Gaps in Cash Flow and Debt Are Widening (Slightly)

While the gender gap in investing is large and stable, the gaps in cash flow and debt management are next in size but slightly increasing. This was primarily driven by men maintaining stability in both categories while women lost ground. Declines in cash flow and debt management can affect retirement readiness. Although men and women are equally likely to contribute to a workplace retirement account, women are more likely to have taken a retirement plan loan and less likely to be on track to reach their retirement goals.

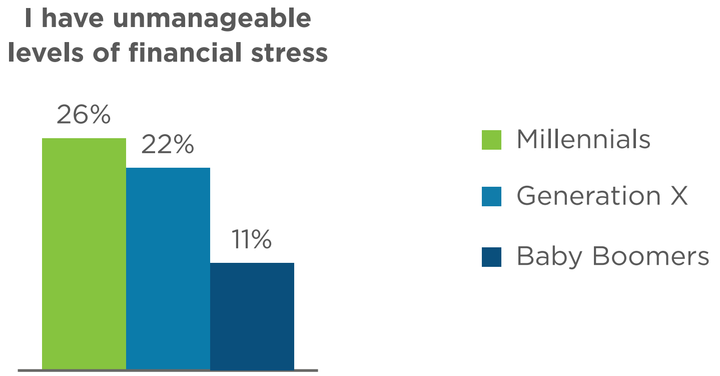
	Women	Men
Cash Flow Wellness Score	**6.5**	**7.8**
I have a handle on cash flow	67%	81%
I have an emergency fund	46%	63%
Debt Management Wellness Score	**5.6**	**6.7**
I am comfortable with my current level of non-mortgage debt	54%	72%
I carry a balance on my credit card	48%	30%

By the Numbers:

Financial Wellness by Generation

Millennials

Millennials continue to have the highest percentage of unmanageable financial stress among the three generations studied. Thirty-two percent are struggling to manage their cash flow, and less than half (46 percent) have an emergency fund to cover unplanned expenses or loss of income. Of the 45 percent that are uncomfortable with the amount of debt they have, 76 percent report feeling overwhelmed by it. Forty-two percent of Millennials carry a balance on their credit card, and 48 percent have student loan debt. Of those with student loans, 33 percent are struggling to keep up with their payments. As the percentage of Millennials in the workforce increases, employers should consider including debt management assistance as part of a holistic financial wellness benefit.



	2018	2019
Millennial Financial Wellness		
I have a handle on cash flow	70%	68%
I have an emergency fund	46%	46%
I am comfortable with the amount of debt I have	55%	55%
I am uncomfortable with my debt and feel overwhelmed by it	73%	76%
I pay off my credit card balances in full	56%	58%
I have student loan debt	50%	48%
I am struggling to keep up with my student loan payments	30%	33%

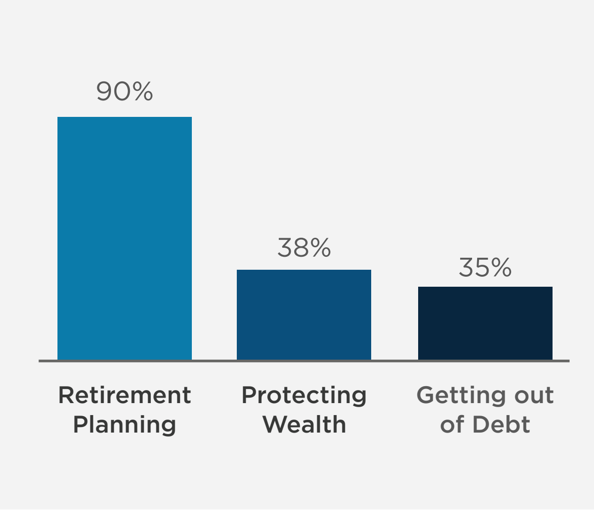
Generation X

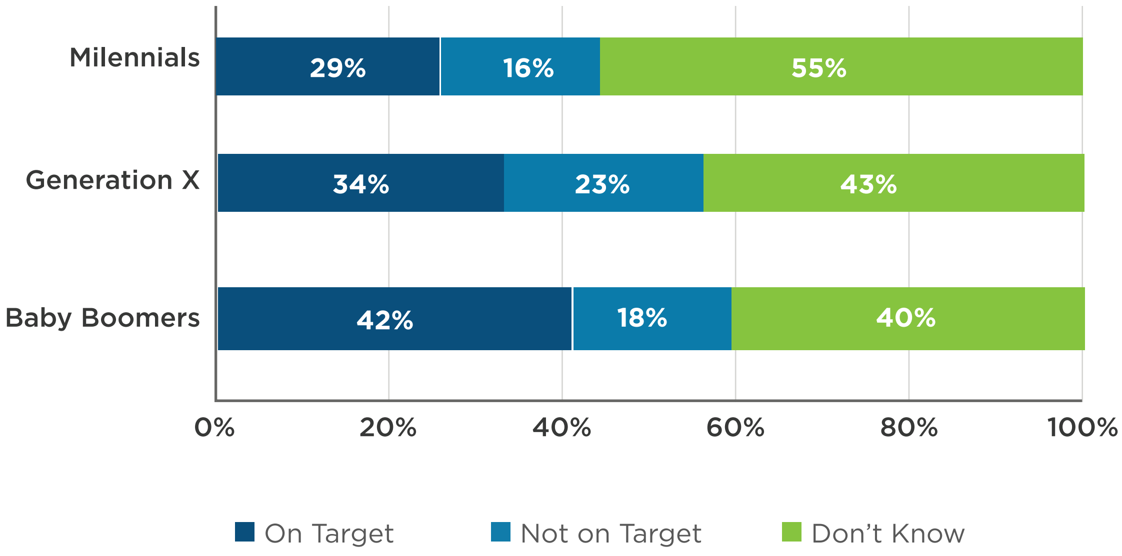
The so called "sandwich" generation, these employees often find themselves having to deal with competing financial priorities. The majority are married (66 percent), have minor children (56 percent), and own a home (75 percent). Studies show that Generation X carries the most mortgage[9] and non-mortgage debt[10] of any generation, which may explain why four in ten (41 percent) feel uncomfortable with their debt, among whom 67 percent are overwhelmed by it. Three in ten (30 percent) still make payments on student loans, and almost four in ten (38 percent) are struggling to make the payments. Among employees of this generation that are parents, 28 percent are actively saving for both college and retirement, but less than one in five (19 percent) are on track to meet both goals. This generation would respond well to group education focused on mid-career financial planning.

Generation X Financial Wellness	2018	2019
I have a handle on cash flow	71%	70%
I have an emergency fund	50%	50%
I am comfortable with the amount of debt I have	60%	59%
I am uncomfortable with my debt and feel overwhelmed by it	65%	67%
I pay off my credit card balances in full	53%	54%
I have student loan debt	30%	30%
I am struggling to keep up with my student loan payments	35%	38%
I am a parent saving for college and retirement	28%	28%
I am on track to reach my college and retirement savings goals	17%	19%

Baby Boomers

Nine in ten (90 percent) Baby Boomers cite retirement planning as a top priority, with protecting wealth (38 percent) a distant second and getting out of debt (35 percent) a distant third. Despite being the most prepared of the three generations studied, Baby Boomers are sadly under prepared for retirement. Only 42 percent are on track for retirement, and another four in ten (40 percent) have failed to run a retirement projection. Squarely in the pre-retirement phase of life, the biggest challenge faced by this generation is time. Baby Boomers only have a few more years to accumulate enough assets to supplement their income over an average 20-to-30-year life expectancy.





To make things worse, there has been a rise in household debt among older Americans. According to the Employee Benefit Research Institute (EBRI), the average total debt for households ages 50 to 64 rose from $80,000 in 1992 to $120,000 in 2016. They found that households with debt worked longer, and parents who provided financial support to children and grandchildren increased their likelihood of having debt.[11] The good news is that interest rates are relatively low, making debt more affordable, however interest rates could go up in the future, and that could force Baby Boomers to work longer, or risk running out of retirement assets sooner.

	2018	2019
Baby Boomer Financial Wellness		
I have a handle on cash flow	83%	82%
I have an emergency fund	69%	69%
I am comfortable with the amount of debt I have	74%	74%
I am uncomfortable with my debt and feel overwhelmed by it	52%	53%
I pay off my credit card balances in full	66%	66%
I feel confident my investments are allocated appropriately	59%	60%
I am comfortable with the investment basics and how to apply them	50%	49%

Lastly, with the onset of the coronavirus global pandemic in the first quarter of 2020, many Baby Boomers are having to rethink their investment strategy. Although six in ten (60 percent) that completed a financial wellness assessment in 2019 are confident their investments are allocated appropriately, less than half (49 percent) are comfortable with the investment basics and how to apply them. With such a high level of market uncertainty, it is likely that retirement preparedness numbers will get worse before they get better. For a generation that may already be struggling to save for retirement, the havoc COVID-19 is having on the global economy could be the proverbial straw that breaks the camel's back. Employers can help pre-retirees cope with the financial stress brought on by recent market activity by offering one-on-one sessions with a financial coach as part of an ongoing financial wellness benefit.

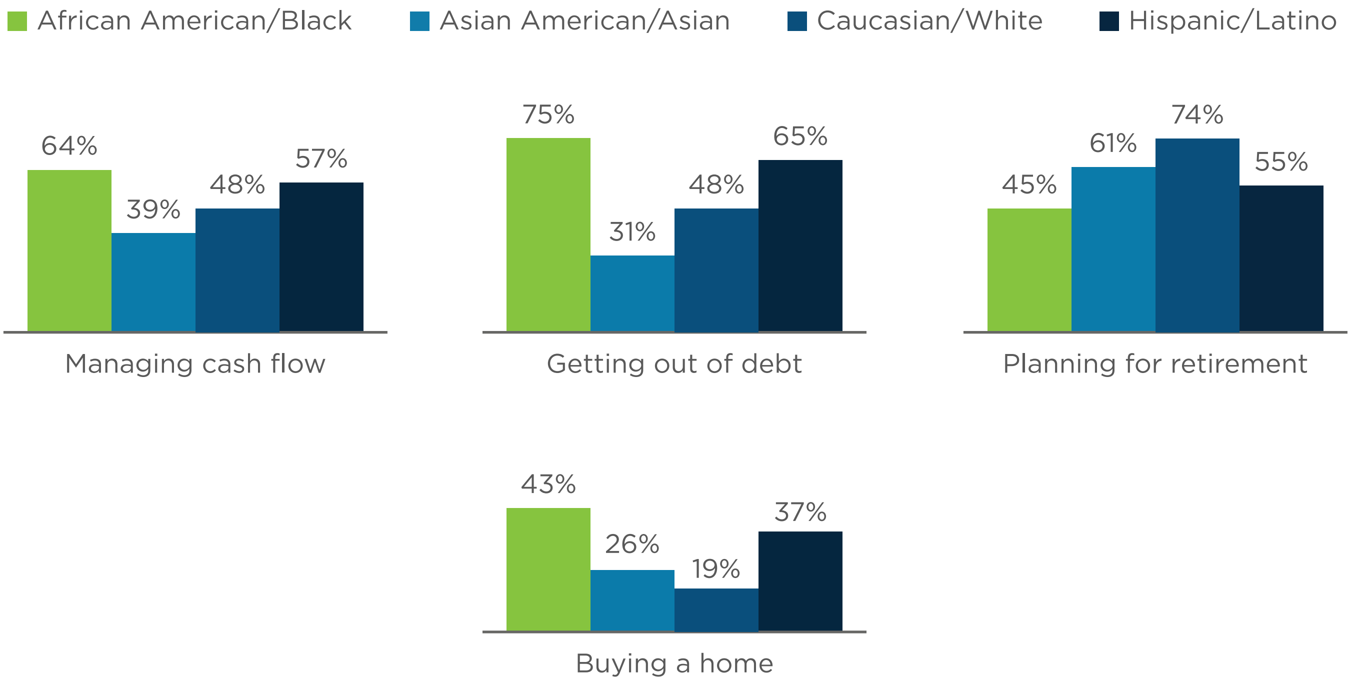
By the Numbers:

Optimizing Financial Wellness in a Diverse Workforce

Retirement planning remains the top concern for Caucasian and Asian American employees, but for African American and Hispanic employees getting out of debt and managing cash flow remain first and second, respectively. For African American employees, interest in retirement planning fell three percentage points—from 48 percent to 45 percent—making it nearly on par with interest in buying a home (43 percent).

Issue Cited As A Top Concern

(by demographic)



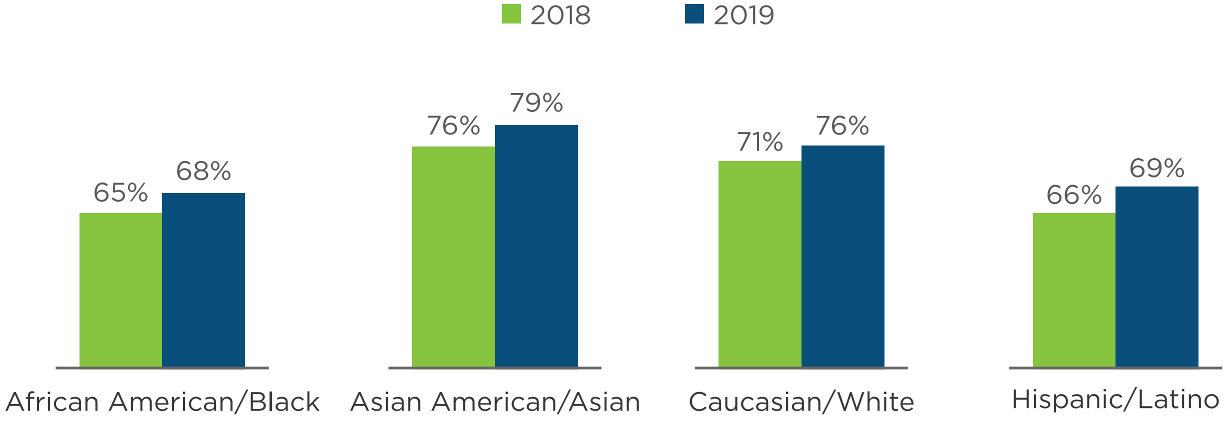
Key Improvements

Interest in buying a home increased for Hispanic employees, from 35 percent to 37 percent. The good news is that Hispanic employees are showing improvement in financial behavior directly related to home buying. Specifically, the percentage that are saving (or have saved) for a down payment rose from 56 percent to 59 percent, and the percentage that have a credit score above 720 rose from 19 percent to 23 percent. Reductions in retirement plan loans and student debt may be helping Hispanic employees prepare for a future home purchase.

	2018	2019
Hispanic Homebuyer Financial Wellness		
I am comfortable with the amount of debt I have.	45%	47%
I have taken a retirement plan loan or withdrawal in the last year	25%	21%
I have student loan debt	47%	44%
I am struggling to keep up with my student loan payments	44%	42%
I am saving (or have saved) a down payment on a home	56%	59%
I have a credit score above 720	19%	23%

Another bright spot is the increase in participation in health savings accounts (HSA). Participation rates grew three percentage points for all groups except Caucasian, which increased five percentage points. Asian Americans remain the most likely to contribute to an HSA. Given the general lack of emergency savings among many American workers, the increased use of high-deductible health plans, and the triple-tax benefits of HSAs, we hope this trend continues.

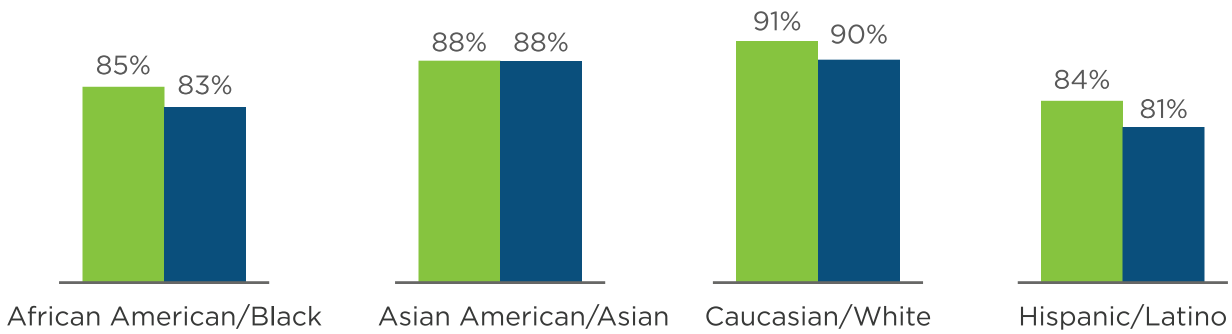
I contribute to a health savings account (HSA)



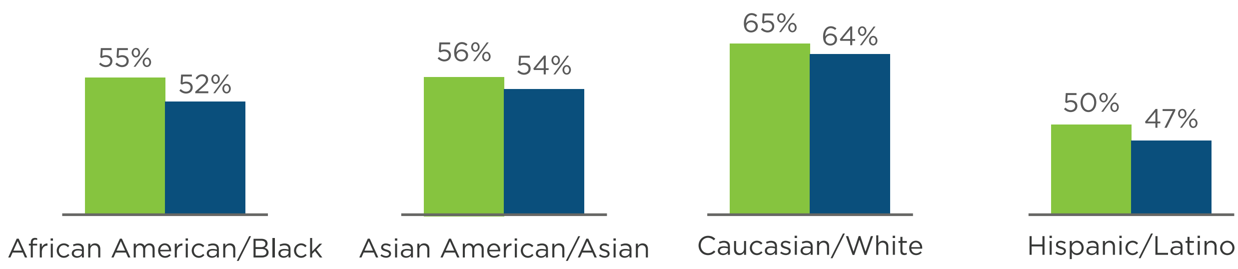
Causing Concern

While more focus may be placed on near-term issues like debt management and home buying, it may be at the expense of long-term issues like risk management. All groups reported lower percentages performing annual insurance reviews, maintaining adequate life insurance, or having long-term disability (LTD), but Hispanic employees reported the lowest percentages in all three.

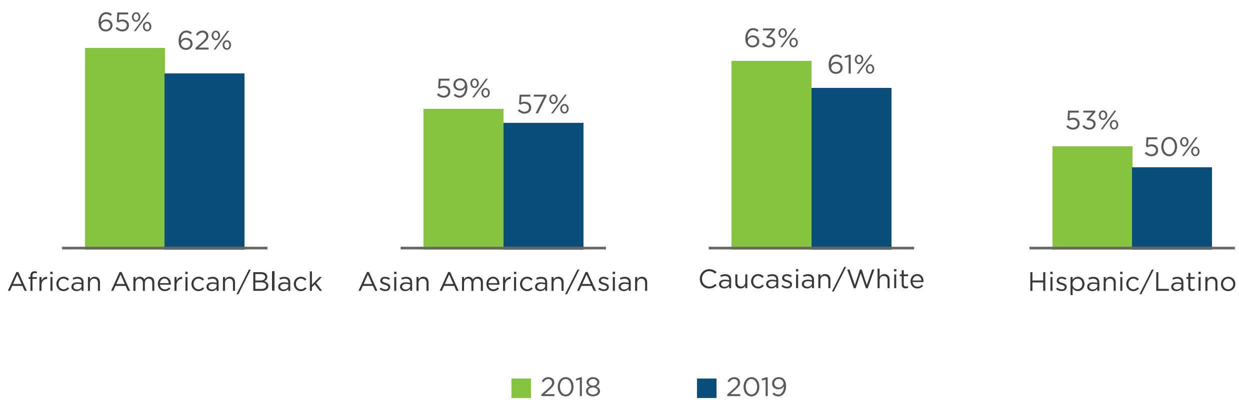
I review my insurance coverage annually



I have adequate life insurance



I have long-term disability insurance

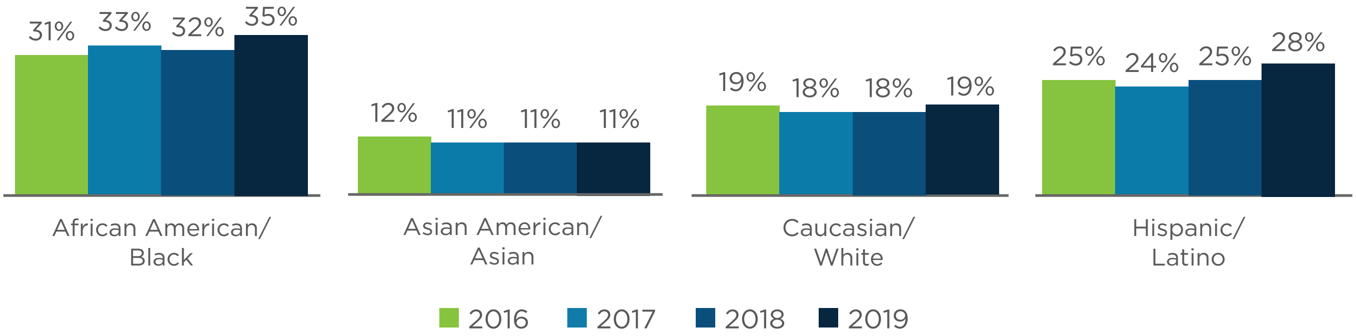


Financial Stress Increases Most for Minority Groups

As noted earlier in this report, financial stress rose across the board, most notably among African American and Hispanic employees.

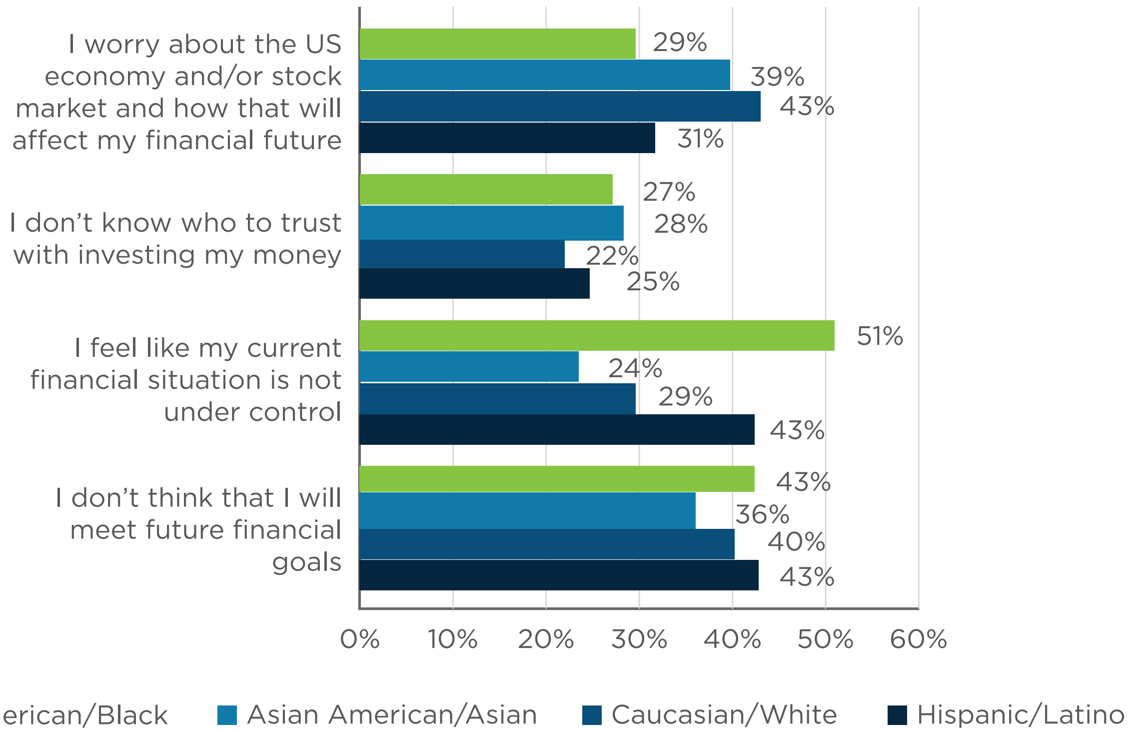
Unmanageable Financial Stress Levels

(by demographic)



Both groups cited lack of control over their current financial situation and concern about meeting future financial goals as a primary source of financial stress. Employers with high minority populations should provide financial wellness benefits that aim to improve cash flow and debt management.

Sources of Stress in 2019



Methodology

All Financial Finesse research is primary and is based on tracking employees' most pressing financial concerns through their usage of our financial wellness services. Trend analysis is done by tracking questions received by financial coaches through Financial Finesse's on-demand Financial Coaching Line and scheduled Financial Coaching Sessions. Financial Wellness data is compiled by tracking employees' usage of Financial Finesse's Online Financial Wellness Assessment and Financial Wellness Hub, which provides employees with a personalized financial wellness plan and analysis of their current state of financial wellbeing. Employers and employees are located across the country and provide a representative sample of the national population.

This report is based on the analysis of 271,776 financial wellness assessments completed within the last nine years. **All figures are rounded to the nearest whole percentage unless otherwise noted.**

Contributors

Gregory A. Ward, CFP®, Think Tank Director

Statia Thomas, Paraplanner

Carrie Tranter, CFP®

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 can 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.

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

End Notes

[1] See About the Financial Wellness Assessment on page 45.

[2] Fronstin, P. and Spiegel, J., 2020. Trends In Health Savings Account Balances, Contributions, Distributions, And Investments, 2011-2018: Estimates From The EBRI HSA Database. [online] Ebri.org. Available at: <https://www.ebri.org/publications/research-publications/issue-briefs/content/trends-in-health-savings-account-balances-contributions-distributions-and-investments-2011-2018-estimates-from-the-ebri-hsa-database>

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[8] Longo, T., 2020. Finra: Women Lag Males In Investment Knowledge. [online] Fa-mag.com. Available at: <https://www.fa-mag.com/news/finra--women-lag-males-in-investment-knowledge-54752.html>

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[11] Ebrahimi, Z., 2020. The Impact of Rising Household Debt Among Older Americans. [online] EBRI Issue Brief. Available at: <https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_502_householddebt-12mar20.pdf>