

# Financial Finesse Research

2004 Year In Review

## HELPLINE DEMOGRAPHICS IN 2004

<b>Gender Ratios</b>	66% Female	34% Male
<b>Caller Type</b>	94% Employees of corporate clients	6% Spouse/Partner

## 2004 CALL DURATION:

Average call length was 28 minutes with each caller in 2004.

## CALL TOPIC BREAKDOWN

Topics	Q1	Q2	Q3	Q4	AVG
Debt	34%	44%	41%	37%	39%
Budgeting and Saving	19%	12%	19%	16%	17%
Retirement Planning	9%	7%	10%	10%	9%
Homeownership	7%	8%	5%	8%	7%
Miscellaneous*	11%	13%	7%	8%	10%
Taxes	12%	6%	9%	14%	10%
Finding a Financial Planner	5%	4%	2%	1%	3%
Education Planning	1%	2%	3%	2%	2%
Investing	2%	4%	4%	4%	3%

\* Misc. includes Estate Planning, Stock Options, and Insurance

## 2004 Most Frequently Asked Questions (ranked by frequency)

### **DEBT ISSUES**

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- 1 How do I deal with my creditors?
- 2 Am I a candidate for credit counseling?
- 3 Should I consider bankruptcy/foreclosure?
- 4 How can I refinance or consolidate my debt?
- 5 How can I check and improve my credit rating?

### **BUDGETING AND SAVING**

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- 1 How do I put together a budget?
- 2 How do I manage my financial affairs after a divorce?
- 3 I need help evaluating my financial situation due to a change in employment status.
- 4 How do I manage the stress of money problems?
- 5 I am having trouble making ends meet; what can I do?

### **RETIREMENT PLANNING**

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- 1 How much do I need to retire and how much should I be saving?
- 2 What is the difference between a Traditional and Roth IRA from a tax perspective?
- 3 What are some of the options for funding my retirement?
- 4 I have general administrative questions about my company retirement plan.
- 5 How do I choose the right investments in my retirement plan(s)?

### **HOMEOWNERSHIP**

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- 1 What steps are involved with the purchase of a first home?
- 2 I am interested in investing in rental real estate.
- 3 What are the tax consequences of selling a home?
- 4 Are there any programs available to help me purchase a home?
- 5 When is it a good idea to take out a home equity loan?

### **TAXES**

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- 1 How do I estimate the tax withholding allowance on my paycheck?
- 2 How do I find someone who can help me with my taxes?
- 3 I have specific questions on the deductions I am eligible to take.
- 4 Which tax forms do I use?
- 5 What options do I have if I can't pay my tax bill or haven't filed my tax return?

### **FINDING A FINANCIAL PLANNER**

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- 1 I have never met with a financial planner before and am interested in what a financial planner can do for me.
- 2 I need someone to help me plan for retirement.
- 3 I need someone to help me assess how my investments should be allocated.
- 4 I need help planning for college expenses.
- 5 I need help evaluating my financial situation due to a change in employment status.

### **EDUCATION PLANNING**

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- 1 I need help planning for college expenses.
- 2 Is it better to pay cash or take out a student loan for college expenses?
- 3 What if I can't repay my student loans?

### **INVESTING**

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- 1 I want to work with someone who can help me get started in investing.
- 2 How do I choose the right investments in my retirement plan(s)?
- 3 I need someone to help me assess how my investments should be allocated.
- 4 Is it better to pay down debt or increase savings and investments?
- 5 What are some of the options for funding my retirement?

## Trend Analysis

### About the Data

Financial Finesse's Financial Helpline is available to approximately 300 different companies and 250,000 employees. The companies represent a wide range of industries and are located in different cities and towns across the country. Since the service is generally available to all employees within the companies, callers range from CEOs and executives to frontline employees who work in factories. We do not track specific demographics such as race and income from callers, but we believe the callers are representative of the population as a whole based on the demographics of our client companies and the wide range of financial questions we get from callers.

### Key Trends

2004 was a watershed year for our Financial Helpline callers. Where we generally see incremental changes in call topics and questions from year to year, the changes in 2004 were more significant. Taken together, the changes all point to the same trend: employees are beginning to take greater control over their finances. They are becoming more proactive about improving their financial situations and planning for the future.

- **Debt calls continued to decrease from 2003 to 2004, from 42% to 39% of overall calls**, indicating that fewer people are calling reactively to address financial problems.
- **In contrast, budgeting and saving calls increased from 16% to 17% of overall calls.** Typically, debt calls outnumber budgeting and savings calls by about a 3:1 ratio. To see this spread narrow is quite encouraging as it indicates employees are progressing from serious debt problems to establishing savings plans. More callers started taking steps to better manage their money to avoid future debt problems and begin saving for important financial goals.
- **For the first time ever, there was a greater percentage of tax calls in Q4 2004 (14% of total calls that quarter) than Q1 2004 (12% of total calls that quarter).** Traditionally, we see a strong spike in tax calls in the first quarter, as employees grapple with unexpected balances owed to the IRS, as well as the mechanics of filing taxes. This trend reversed in 2004 as employees seemed more concerned about tax planning issues than ever before. Many wanted to know how they could reduce their tax liability come April 15th. Others wanted to get ahead of the curve so that they weren't scrambling to file their taxes at the last minute.
- **Investing calls increased from 2% of total calls in 2003 to 3% of total calls in 2004.** Though calls about investing still represent a very small percentage of calls, the increase demonstrates that more employees are focusing on planning for the future.

We believe that there are several reasons for this shift towards callers taking more control of their finances:

- **The economy has continued to improve and callers are beginning to resolve their debt problems and begin saving as a result.** Many employees became overextended with debt in 1999 and 2000, expecting that bonuses, stock options and investments in internet stocks would provide them with the income they needed to pay off their debts down the road. When the market crashed, they were left with debts they couldn't pay. Many lost their jobs at the same time. After struggling for several years to repay debt, find employment, and rebuild their income, employees are becoming financially stable again and are anxious to avoid making the same mistakes in the future.
- **The counseling that callers receive on the financial helpline is probably also impacting the results.** While we don't track the number of return callers, we have seen a trend towards callers using the financial helpline as a "financial coaching service." Many callers develop a relationship with the first planner they speak to, address that particular issue, and then call back once they are ready to discuss

## Trend Analysis (continued)

additional financial challenges or goals. When we examine these call records, we generally see a progression from serious debt issues to budgeting and saving to buying a home, investing and retirement planning. The majority of clients using the financial helpline service have had access for at least three years now, so the progression from debt problems to more proactive financial goals is gaining momentum.

### Implications for Plan Sponsors:

- **It is likely that your employees are better off financially than they have been in the last few years. Now is a good time to heavily market financial education efforts and initiatives-- particularly those focused on investing and retirement.** Employees will probably be more receptive to these topics than they have been in the past, when they were more focused on resolving financial crises. We've found that a focus on "taking control" of their finances is resonating with employees.
- **At the same time, it is critical that employers do not ignore basic money management issues as part of a larger financial education program.** While debt calls have decreased as a percentage, employees call about debt more than any other topic. Debt still remains an issue for a significant number of employees. In a study recently released by Dr. Thomas Garman, Professor Emeritus at Virginia Tech, up to 30 million American workers have debt problems that are impacting their performance at work. In the focus groups and surveys we've conducted, we've found that the #1 reason that employees do not participate in their company-sponsored retirement plans is that they feel that they can't afford to do so. The most successful financial education efforts combine basic money management skills with retirement planning so that employees can find ways to begin saving more for retirement.

### About Financial Finesse

Financial Finesse was founded with a single mission: Provide people with the information they need to become financially independent and secure. Today, we provide unbiased full service financial education programs to over 300 corporations and credit unions across the country. We work with each of our clients to design company-specific programs that address their business and HR needs. Clients use our services to recruit, retain and motivate employees who are under increasing financial pressure from rising health care costs and declining balances in their company-sponsored retirement plans. We also develop solutions to prevent discrimination testing fines and employee financial benefits lawsuits. And with most corporate clients, we help at-risk employees deal with significant financial problems that are draining their productivity.