

**Financial Helpline Call Topic Breakdown**

Topics	Q1	Q2	Q3	Q4	2008
Debt Issues	37%	31%	34%	38%	35%
Retirement Planning	17%	18%	20%	20%	19%
Budgeting and Saving	16%	14%	19%	18%	17%
Taxes	11%	13%	4%	4%	8%
Investing	3%	6%	8%	8%	6%
Other	6%	9%	6%	4%	6%
Real Estate	2%	6%	4%	5%	4%
Education Planning	2%	1%	4%	1%	2%
Estate Planning	2%	0%	1%	2%	1%
Insurance	1%	1%	2%	0%	1%
Finding a Financial Planner	1%	0%	1%	1%	1%

**Executive Summary**

Employees are in a state of “heightened urgency” about their financial situations. Overwhelmingly, callers are focusing on the elements they can control—namely cutting their expenses, reducing credit card debt and increasing savings—instead of panicking about the state of the market or the economy.

- **52% of calls in 2008 focused on reducing debt, cutting expenses, or increasing savings vs. just 6% on asset allocation and choosing investments.**
- **There was not a noticeable difference in the nature or volume of the calls on days with heavy market losses.** Employees appear to be taking market volatility in stride and are not letting news events dictate their financial decisions. They are returning to traditional financial planning principles rather than trying to time the market to avoid losses.
- **Our behavioral change studies show that employees are making unprecedented changes to how they manage their money after they participate in company-sponsored financial education programs.** In 2008, over 90% of employees surveyed reported that they’ve made at least one significant change to their finances within 30 days of participating in a company-sponsored financial education program. The most common changes were money management related: reducing debt, reducing expenses, and establishing an emergency cash reserve.

## Frequently Asked Questions

### 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. What strategies will help me reduce my debts?
5. I am having trouble making ends meet, what can I do?

### Retirement Planning

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1. What are the pros & cons of taking a loan from my retirement plan?
2. Am I eligible for a hardship withdrawal?
3. How much do I need to retire and how much should I be saving?
4. I have general administrative questions about my company retirement plan.
5. What are the taxes and penalties associated with a hardship withdrawal?

### Budgeting and Saving

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1. How do I put together a budget?
2. I am having trouble making ends meet, what can I do?
3. How do I manage my financial affairs after a divorce?
4. What strategies will help me reduce my debts?
5. How do I manage the stress of money problems?

### Taxes

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1. How do I estimate the tax withholding allowance on my paycheck?
2. I have specific questions on the deductions I am eligible to take.
3. What options do I have if I can't pay my tax bill or haven't filed my tax return?
4. What Federal & State taxes am I subject to?
5. How can I reduce my taxes?

### Investing

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1. How do I choose the right investments in my retirement plan(s)?
2. I need someone to help me assess how my investments should be allocated.
3. I want to work with someone who can help me get started in investing.

### Real Estate

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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 benefits of renting vs. buying a home?
4. What are the pros & cons of using my retirement funds for a down payment on a home?
5. What are the tax consequences of selling a home?

## Trend Analysis

### About the Data

The data in this report is exclusively primary research, compiled from questions that employees ask our Certified Financial Planners™ through a confidential Financial Helpline Service made available to them as an employee benefit. The service is currently available to over 300 employers, covering over 500,000 employees across the country.

### Key Trends

**2008 was a painful year financially for most Americans, but also a year of new perspective and renewed commitment to better manage household finances.**

**As expected, employees displayed a sense of heightened urgency and more serious financial concerns.**

- **Call volume increased by 34% in 2008** over 2007, and the nature of the calls had a much more serious tone.
- Debt questions asked in 2008 dealt with more significant debt than in 2007. **Questions about bankruptcy and foreclosures surged**, representing the third most popular debt questions asked in 2008.
- Retirement questions also indicated serious financial concerns. **Questions focused more on how to take loans and hardship withdrawals than ever before**, at 39% of retirement calls in 2008 vs. 26% in 2007.
- In the area of budgeting and savings, **nearly twice as many callers indicated that they were having trouble making ends meet.**

**That said, there was little evidence that employees are panicking or making short term, emotional investment or financial planning decisions.**

- While we did see an increase in asset allocation calls, they still represented a very small minority of total calls, at just 6% vs. **52% of calls around budgeting, saving, cutting expenses, and reducing debts.** Also, the majority of employees who called regarding asset allocation or changing their investment strategy were taking **the opportunity to revisit their risk tolerance and investment objectives, as opposed to making rash decisions** to move all assets to cash or sell off poor performing mutual funds or securities.
- In fact, there was **no discernable increase in calls during days where the stock market experienced heavy losses**, no increased concerns in light of the Madoff scandal or the negative economic reports released this year. Perhaps in part because they had a financial education benefit available, employees displayed a remarkable ability to screen out the news and focus instead on their long term personal financial goals.

**As a whole, employees believe that the economic crisis will get worse before it gets better, and as a result, they are making significant changes to how they manage their money in order to prepare for the worst. In this market crisis, they are choosing to focus on the elements they can control—namely their own budgets, spending habits, and savings—as opposed to trying to time the stock market.**

- **Budgeting and saving calls increased** from 13% in 2007 to 17% in 2008, indicating that employees are taking a more proactive approach to managing their money. Employees are ready to take action to improve their finances, even if these actions require significant sacrifices and changes in financial habits.
- **This is further reinforced by behavioral change results, which increased from 90% of employees making significant changes to their finances within 30 days of participating in company-sponsored financial education programs for the first half of 2008 to 95% in the second half of the year.** Three of the top five changes that participants made require considerable financial sacrifice such as reducing debt, cutting expenses, and increasing savings.

#### **Additional Areas of Interest:**

- **Outside of calls on foreclosure or short sales, there were more calls about buying homes and rental real estate than selling homes.** Employees as a whole are not interested in selling their homes unless they are in significant financial stress. This is a good sign for the real estate market, as it appears that consumers have not lost confidence in real estate as an investment; in fact, those that have the assets to purchase property have increased interest in buying homes.
- **It is possible that having a financial education benefit influences the research results and that employees without financial education are more likely to over-react to market and economic swings.**

## **About Financial Finesse**

Financial Finesse was founded with a single mission: to provide people with the unbiased information and guidance they need to become financially independent and secure. Today, the company provides full service financial education programs to over 300 organizations, combining financial workshops with phone-based financial coaching, in-person financial planning sessions and online content and tools to deliver personalized, ongoing financial planning programs.