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Financial Finesse Releases New Study on the State of U.S. Employees' Retirement Preparedness

Report shows employees continue to make improvements to finances and increase focus on retirement but are not doing enough to adapt to the "new normal"

El Segundo, CA-[Financial Finesse](#), the nation's leading U.S. provider of unbiased workplace financial education, has released its third and final special research report for 2011 on the state of employees' retirement preparedness.

The report found that the overall state of U.S. employees' retirement preparedness remains low despite a positive trend in employees improving their finances and putting heavier emphasis on retirement planning. According to the report:

- **Most employees have never run a retirement projection despite their income or age.** Fifty-seven percent of employees at pre-retirement age, between 55 and 64, said they had not run a calculation to estimate whether or not they were on track to replace 80% of their annual pre-retirement income (or their goal) in retirement. This number grew with younger generations: 68% of employees age 45-54, 67% of employees age 30-44, and 73% of employees under 30 indicated they had not run a calculation and didn't know if they were on track to retire.
- **Employees who don't know if they are on track to retire don't fare much better than those who know they are not on track.** Employees who reported they are on track to retire had an average wellness score of 7.2 out of 10. They also had sound money management skills such as having an emergency fund in place, paying credit card bills in full each month, and having a plan to pay off debt. Both those who know they are not on track and those who don't know whether they are or not scored far lower, with a 4.2 wellness score for those not on track and 4.7 for those who don't know.
- **Basic money management skills are essential to employees' retirement preparedness and appear to be a key reason why some Americans are more prepared for retirement.** There were significant correlations between retirement preparedness and having an emergency fund, effectively managing debt, and paying credit card bills in full. While U.S. employees improved their money management skills post-recession, most are still in a position where they need to make further improvements in order to free up more dollars to save for retirement.

Liz Davidson, CEO and Founder of Financial Finesse, says the report's findings are especially disconcerting because of decreasing government and employer subsidized retirement benefits. Employees will not be able to meet their retirement goals unless they make significant improvements to their saving and planning behavior.

"Employees are not doing enough to ensure their retirement considering the new normal is a retirement supplemented by more of our own savings," she says. "The environment is changing faster than employees are. They need to further accelerate their savings to compensate for the fact that they can no longer depend as much on their employers and the government for retirement income."

Davidson says employees planning for retirement in this economy face challenges past generations did

not, making retirement a more difficult goal to reach. These challenges, in addition to cutbacks in retirement and other subsidized benefits from employers, include:

- Decreased Social Security and other government benefits
- Lower market returns and interest rates on investments
- Lower home equity to rely on due to the mortgage crisis
- Higher healthcare costs and longer life spans to plan for

“The obstacles of a shaky economy and reduced benefits also pose risks for employers as they attempt to communicate these changes to employees,” says [John E. Nelson](#), coauthor of [What Color is Your Parachute? FOR RETIREMENT](#) and creator of the Well-Being Model which has been used by the U.S. government and other employers to structure retirement education programs.

“Employees are facing unprecedented uncertainty about their next stage of life, and that hurts workplace engagement and productivity,” Nelson observes. “The solution is for employers to be more strategic with financial and retirement education.”

Davidson echoes this sentiment, adding that Financial Finesse’s new retirement preparedness study supports the movement employers have been making towards broad-based financial planning rather than treating retirement as its own “silo”, with the understanding that, in a tough economy, employees are forced to better prioritize their financial goals and more tightly manage day to day expenses.

“What we’ve seen is that employees’ saving behavior is highly correlated to other aspects of their finances,” she says. “When they have their debt under control, are saving for other long-term goals, and pay their bills on time regularly, then they set themselves up for good saving habits and it carries into their retirement planning.”

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About Financial Finesse

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