

RETIREMENT PREPAREDNESS

Case Study

MAY 2019



Case Study:

How Long-Term Engagement in Financial Wellness Influences Retirement Preparedness

About

The Fortune 500 company profiled in this case study engaged Financial Finesse to design and implement a Financial Wellness benefit to:

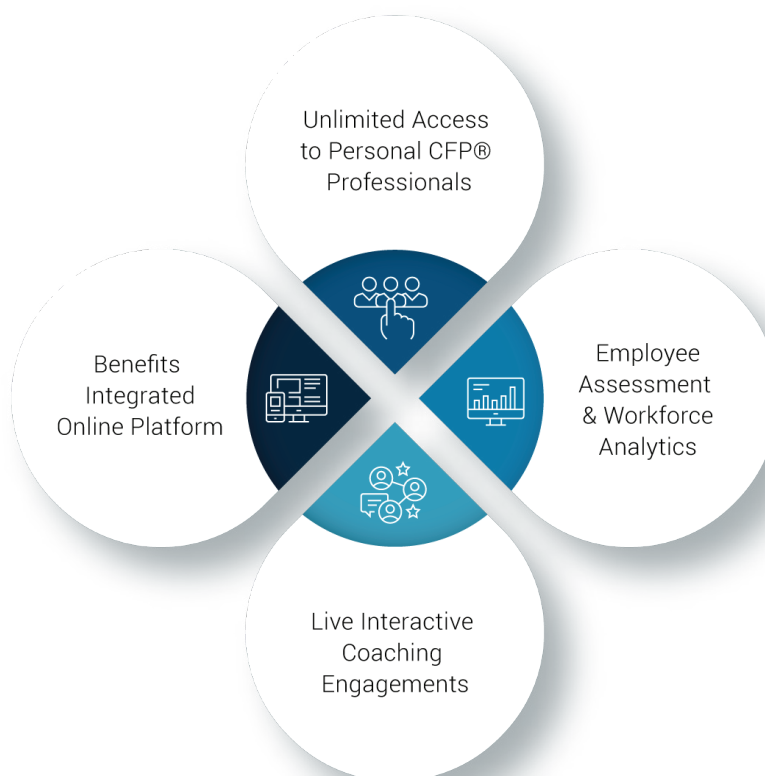
- Combat financial stress
- Enhance productivity
- Improve morale
- Reduce turnover
- Minimize health care costs

Challenges

- Large workforce (40,000+) with a significant number of call center employees who cannot easily make time during the workday to engage with the personalized financial coaching resources available to them.
- Many employees were low income and in desperate need of financial coaching — with some even facing a financial crisis that required immediate intervention.
- High rate of 401k loans and hardship withdrawals.
- Employees were flooded with company communications, making it difficult to garner their attention on anything not considered an immediate priority.

Program Design

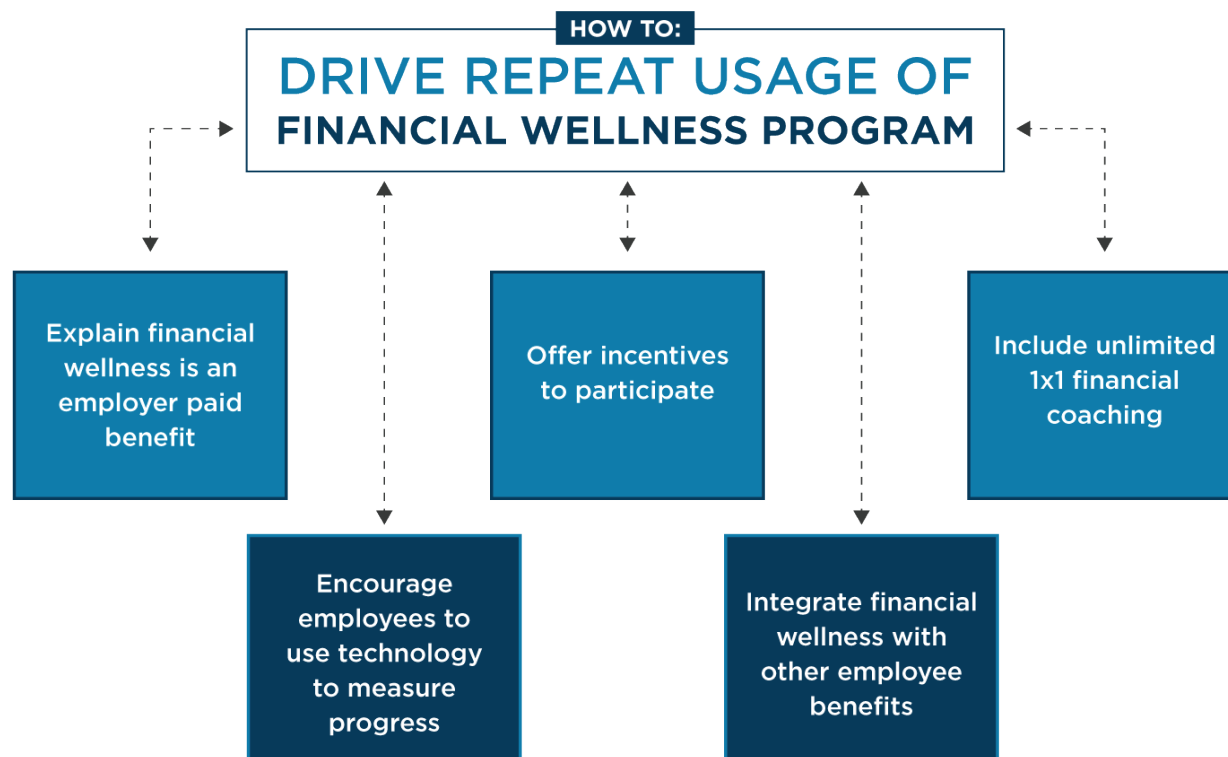
The client implemented a multi-channel program that included ongoing, unlimited personal coaching deployed online, over the phone, and in person through 1x1 sessions and group workshops at key office locations.



In order to drive program utilization and help employees maximize their entire suite of employee benefits, the client fully integrated all employee benefits into all delivery channels, in addition to specifically:

- Integrating with health wellness program and offering financial incentives for program participation and ongoing utilization.
- Directly integrating into internal benefits ecosystem so employees were directed to work with a financial coach if they wanted to:
 - Request a 401k loan
 - Qualify for subsidized benefits
 - Make changes to their benefits or have any questions during open enrollment
- Creating targeted marketing campaigns based on employees' most pressing financial needs, including paying off debt, saving for emergencies, managing health care costs, setting and achieving key financial goals and making critical retirement decisions*.

**All focus areas were determined by priorities defined by employees' collective Financial Wellness Assessment results.*



Results

To gauge program efficacy, Financial Finesse designed a long-term case study that allowed us to measure and analyze the change in financial health, and retirement preparedness specifically, for the same group of employees over a five-year period between 2013 and 2018. Below are the results.

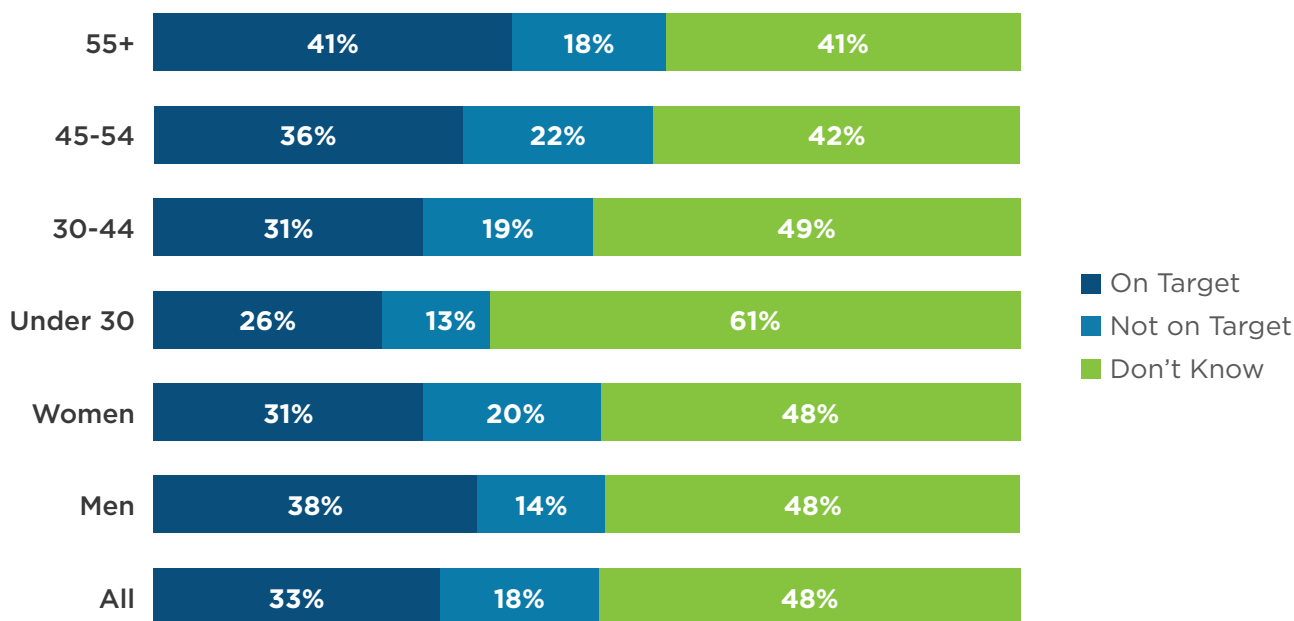
By the Numbers:

The Current State of Retirement Preparedness

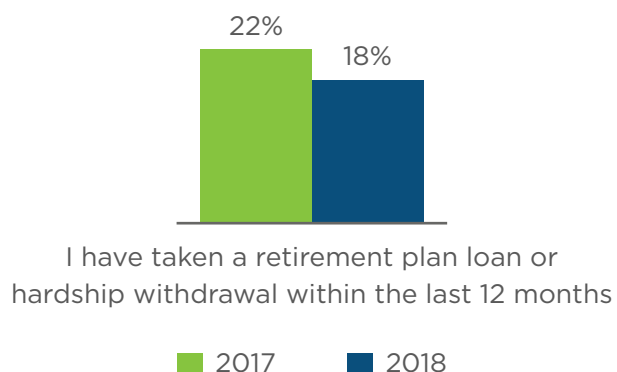
Thirty-three percent of employees that took a financial wellness assessment in 2018 reported being on track for retirement, up from 31 percent in 2017. Despite this improvement, employees across the board aren't saving enough to meet retirement needs. Ninety-four percent reported participating in their employer-sponsored retirement plan, 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.

State of Retirement Preparedness

(by demographic)



A decline in the percentage of employees that requested a retirement plan loan or hardship withdrawal within the last 12 months—18 percent, down from 22 percent—could explain some of the improvement in overall retirement preparedness. This 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.

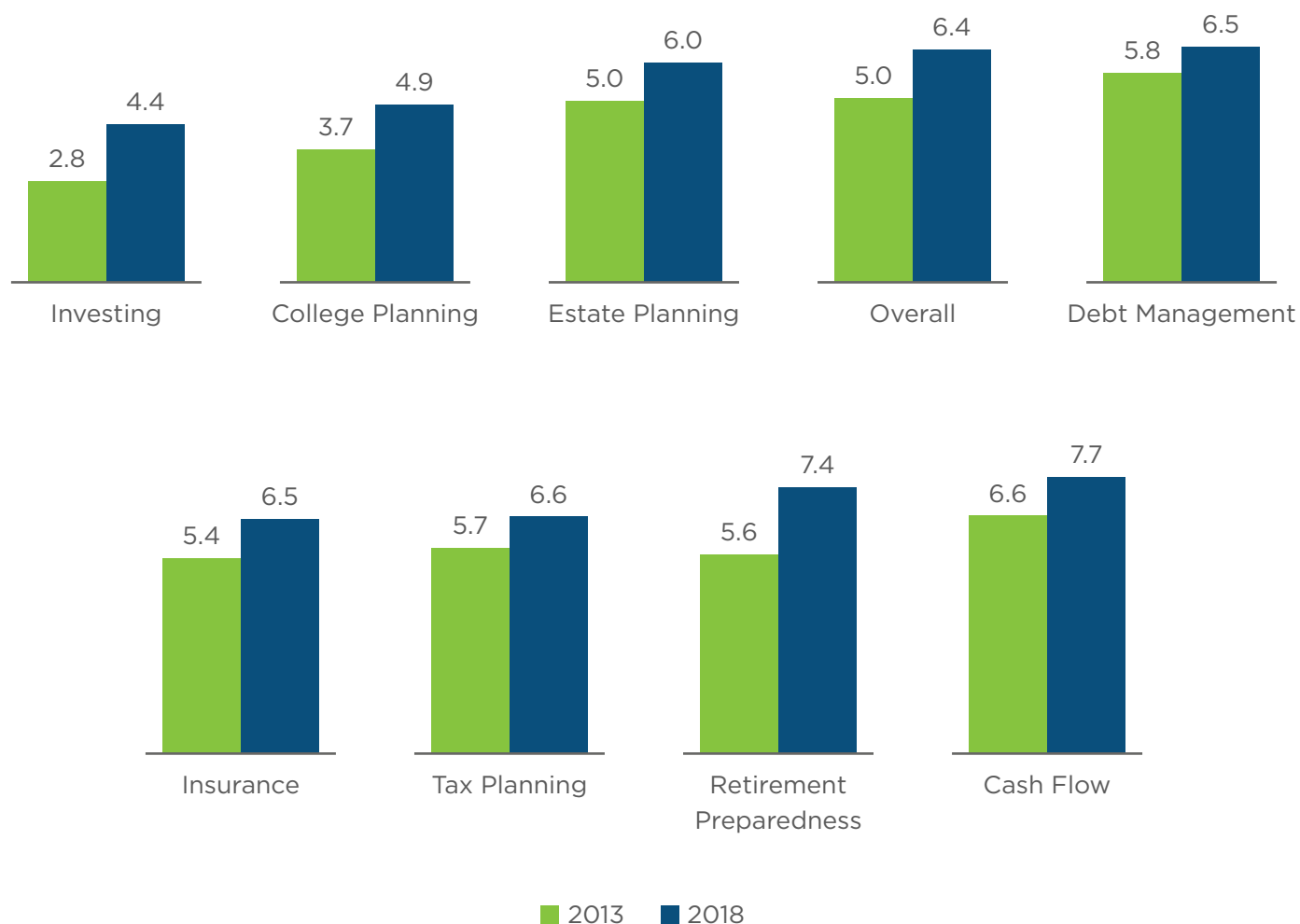


Employees Showed Significant Improvements in Retirement Preparedness

The results were quite remarkable. The average overall financial wellness score rose from 5.0 to 6.4, with the greatest improvement occurring in the area of retirement preparedness.

Average Financial Wellness Score

(by focus area)



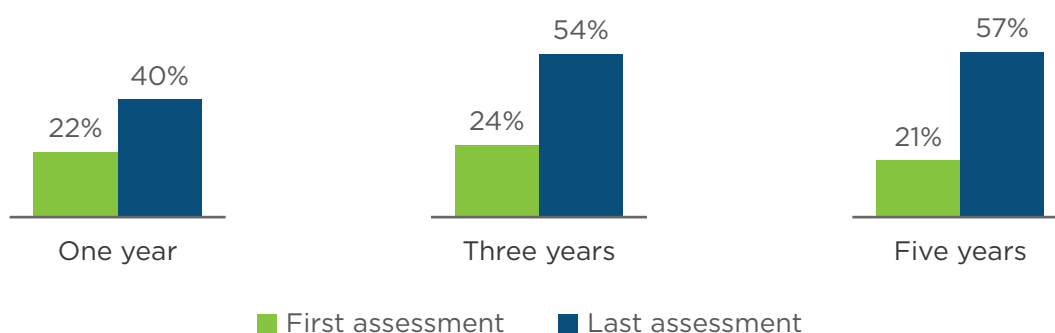
Improvement in retirement preparedness is typically joined by improvements in other areas, including cash flow, debt management, and investment confidence. Improvements in cash flow and debt management led to a 50 percent increase in retirement plan contribution rates, and a 41 percent increase in contributions to a health savings account (HSA).

	2013	2018
Average Overall Financial Wellness Score	5.0	6.4
I have a handle on my cash flow	67%	80%
I have an emergency fund to cover unexpected expenses	51%	60%
I pay my bills on time each month	86%	93%
I am comfortable with the amount of debt I have	58%	67%
I regularly pay off my credit card balances in full	52%	61%
I feel confident my investments are allocated appropriately	43%	69%
I am on track to reach my income goal in retirement	21%	57%
Average Retirement Plan Contribution Rate	6.3%	9.4%
Average HSA Contribution Amount	\$934	\$1,319

Retirement Preparedness Increased with Length of Engagement

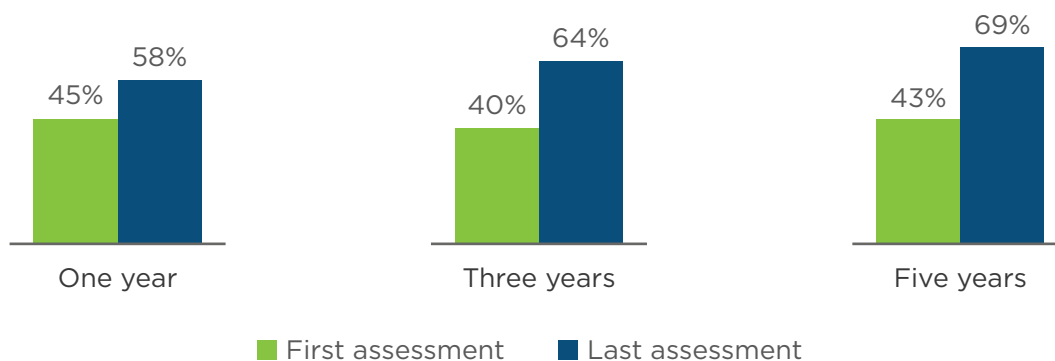
For purposes of comparison, we also looked at the financial health of employees who completed an initial financial wellness assessment in 2015, along with employees who completed an initial financial wellness assessment in 2017, to see how length of engagement affected changes in retirement preparedness. All groups showed improvement in retirement preparedness, but the level of improvement increased the longer an employee remained engaged in the benefit.

% On Track for Retirement



As noted earlier, similar improvements were observed with respect to investment confidence.

% Confident with Investment Allocation



Methodology

All Financial Finesse research is primary—based on tracking employees' most pressing financial concerns through their usage of our financial education services.

Trend analysis research is compiled by tracking questions received by planners through Financial Finesse's Financial Coaching Line and Ask-a-Planner services. Financial Wellness data is compiled by tracking employees' usage of Financial Finesse's Financial Wellness Hub and Financial Wellness Assessment. Employers and employees are located across the country in similar proportion to the demographics of the national population.

This report is based on the analysis of Financial Wellness Assessments completed from January 1, 2013 through December 31, 2018. Some figures may not match data previously reported in prior studies due to changes in data collection. **All figures are rounded to the nearest whole percentage unless otherwise noted.**

Results have a +/-1% margin of error at the 99% confidence level.

Contributors

Erik Carter, CFP®

Gregory A. Ward, CFP®, Think Tank Director

Statia Thomas, Paraplanner

About the Financial Wellness Assessment

The Financial Wellness Assessment asks users about their habits, priorities, and financial situation, and gives them an analysis of how likely they are to reach their goals. This is a proprietary tool designed and developed by our CERTIFIED FINANCIAL PLANNER™ professionals.

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 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 muscle behind the movement to empower every American with access to a Personal Financial Coach™. Founded in 1999, Financial Finesse inspired an entire industry by being the first to offer unlimited access to unbiased CFP® professionals as an employee benefit. Today, the independent, employee-owned firm is the nation's leading provider of workplace financial wellness benefits. On a mission to change lives and challenge the status-quo of the entire financial services industry in the process, Financial Finesse and their Financial Wellness Think Tank cohort provide a creative sanctuary for industry disruptors, outliers, and entrepreneurs alike.

