

2021



# Financial Wellness Year in Review

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## **The Success of An Adaptive Employer**

# The New American Workforce is demanding balance, meaning, and a life well lived right now.

## Financial Resilience Improves.

In year two of the pandemic, the average overall financial wellness score of American workers remained steady. Financial resilience improved over the last two years but declines in financial security are cause for alarm.

## Views on Financial Wellness are changing.

The next generation of employees, hampered by inflation and saddled with debt, are more focused on becoming financially independent than preparing for retirement.

## A New Era is Dawning.

The pandemic introduces a host of new financial challenges, sparking a migration of workers in search of better pay and benefits. Financial well-being benefits, once considered nice to have, are now considered a must have by today's jobseeker.

## Employers must adapt to succeed.

To compete for talent, employers must shift their approach to financial well-being to accommodate this new workforce. Their approach must be holistic, personalized, and embedded in the company's culture.



# The State of Financial Wellness in America

# What is financial wellness?

Financial Wellness is a state of financial well-being whereby a person maintains:



A manageable level of financial stress



A lifestyle below their means



An emergency savings fund



No high-interest debt



Sufficient insurance and estate plan



Ongoing plan to reach future financial goals

The state of financial wellness is measured by the intersection of manageable financial stress, resilience, and security.

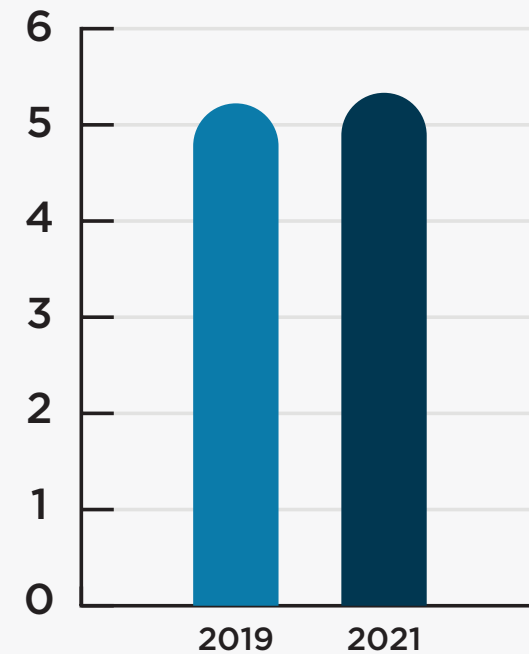




## American Workers Hold Their Ground During the Global Pandemic

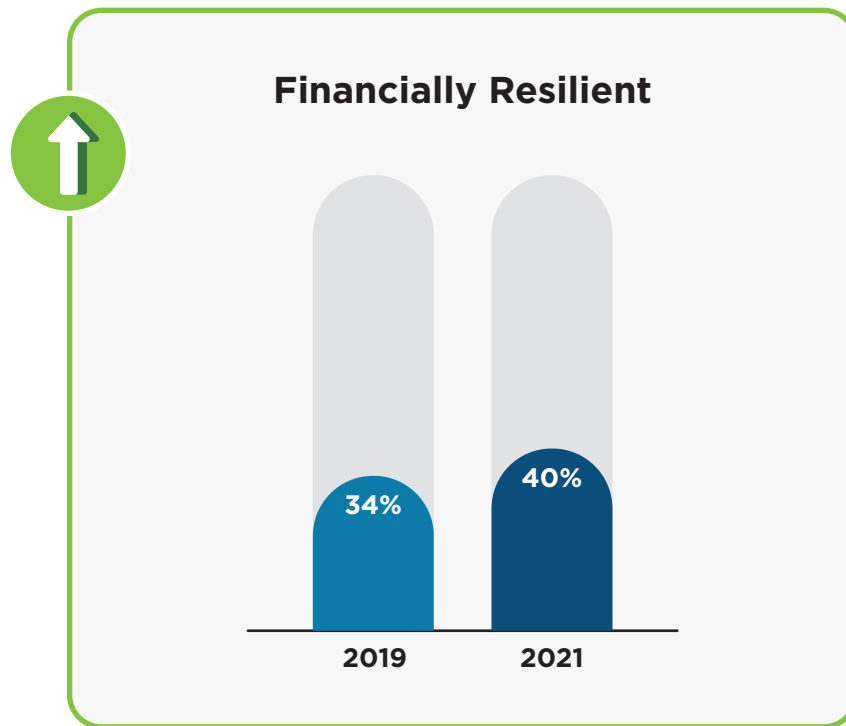
As the pandemic moved into its second year, the average overall financial wellness score of American workers, as measured by the Financial Finesse Financial Wellness Assessment,\* remained steady at 5.3 (on a 10-point scale).

Average Overall Financial Wellness Score

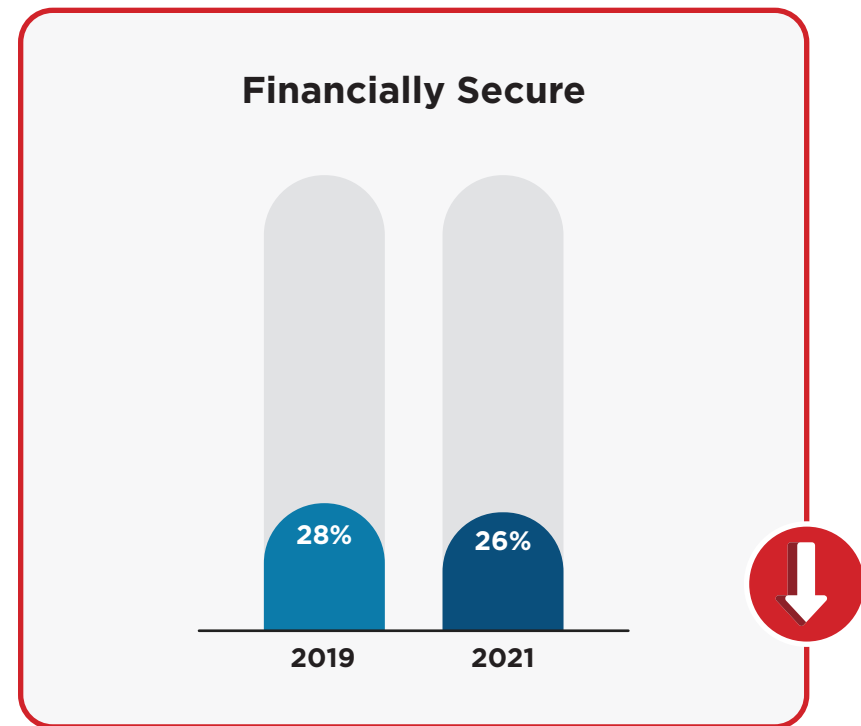


# Financial Resilience Improves... But at a Price

The percentage of financially resilient\* workers increased from 34 percent in 2019 to 40 percent in 2021. While these results are encouraging, there are cracks starting to appear. Improvement in resilience was offset by decline in financial security\*\* from 28 percent in 2019 to 26 percent in 2021.



\*Financial resilience is defined as having a handle on cash flow, being comfortable with debt, paying credit card balances in full, and maintaining an emergency fund.



\*\*Financial security is defined as saving for retirement, insuring against risks, and protecting loved ones.



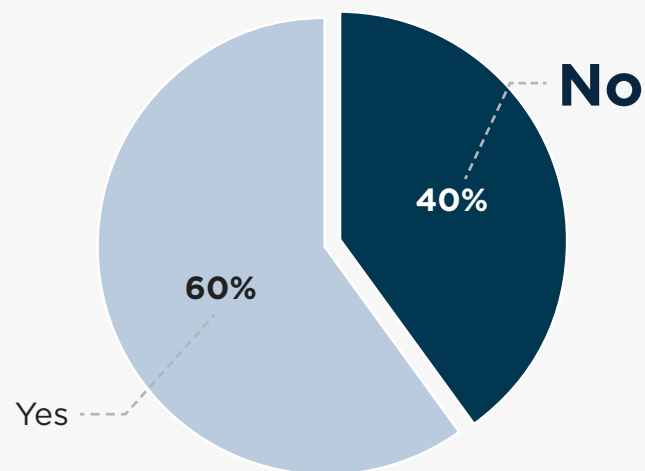
# The Shift in Financial Wellness



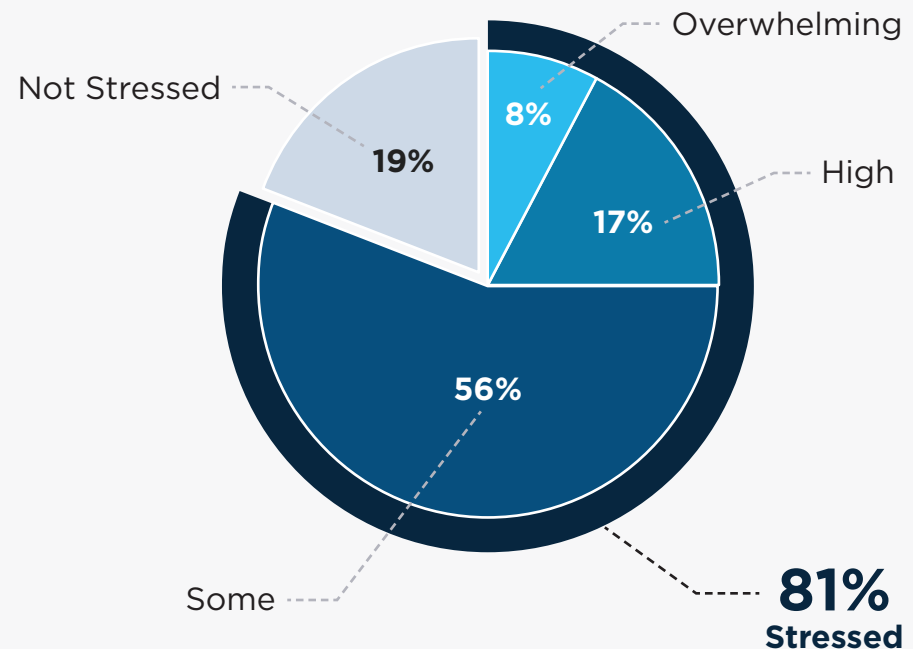
# The New American Workforce

Millennial employees combined with Generation Z make up nearly half of American workers. Four in ten (**40 percent**) are uncomfortable with their debt. Add the financial challenges of a global pandemic, higher prices, and rising interest rates, and it becomes understandable that **81 percent** are experiencing some level of financial stress. Having ranked cash flow and debt management as top financial priorities over the last five years, they are ready to do something about it.

## I am comfortable with my debt

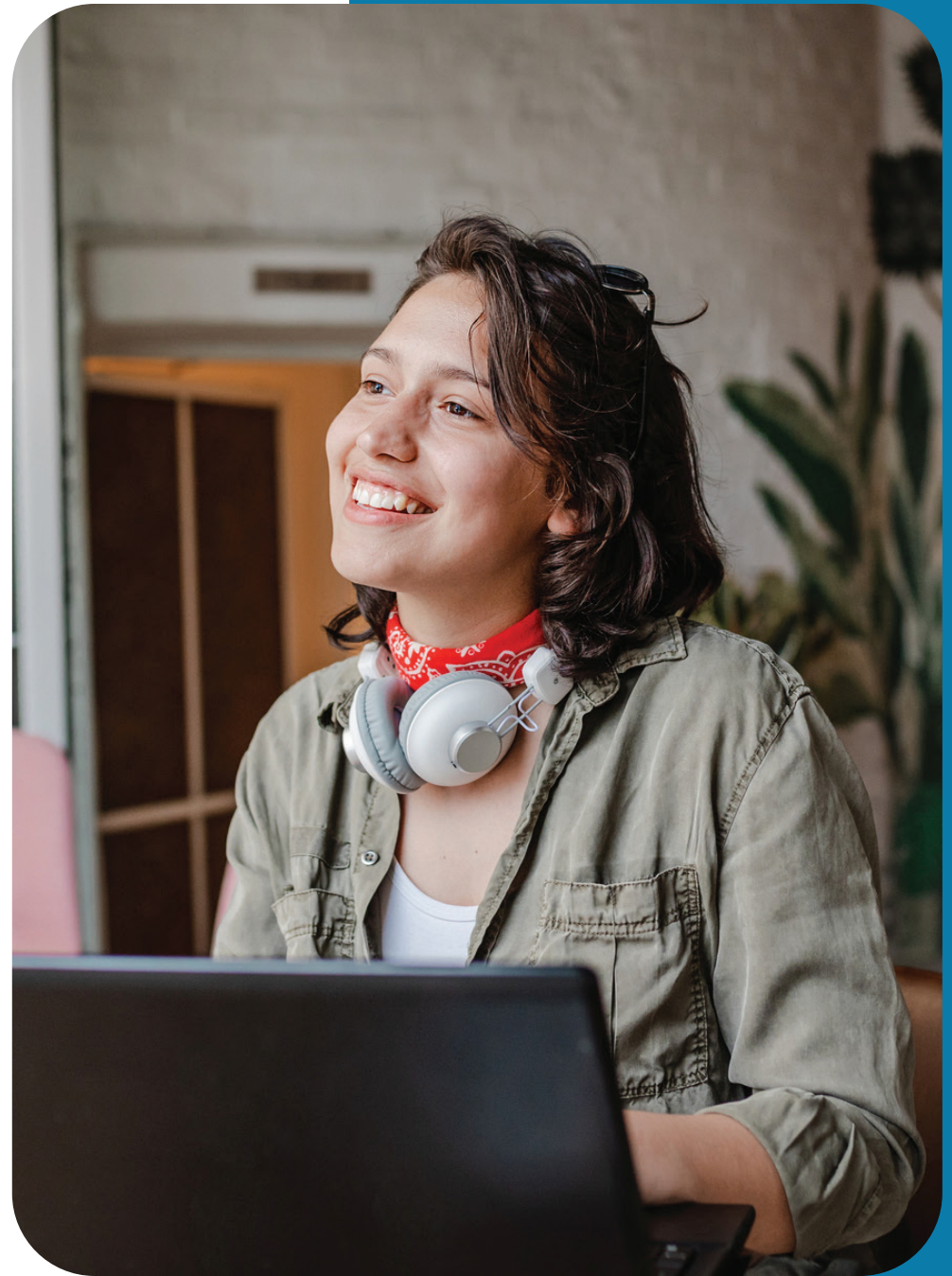


## Financial Stress Levels



## Not Just Millennials and Gen Z

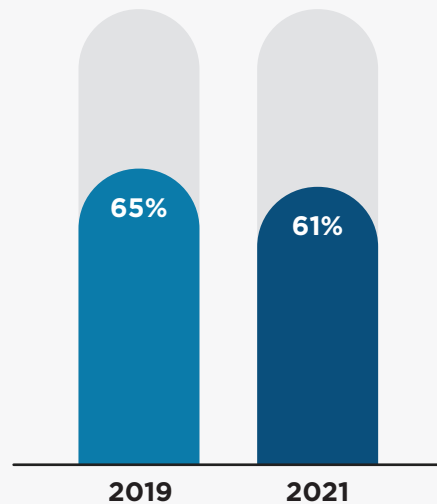
The zeal to tackle debt and improve personal finances is not limited to the Millennial and Gen Z generation. Americans ranked paying off debt as a top goal for 2022,<sup>1</sup> and demand for debt-related benefits far exceeds what is currently available through most employers.<sup>2</sup> Given debt's influence on mental and physical health, the motivation to improve financial standing is without surprise. This may be why views on financial wellness are shifting away from retirement and toward these more immediate financial concerns.



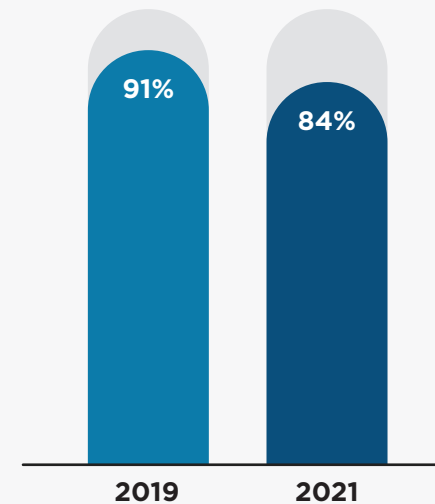
# A Different View

When it comes to financial wellness, much of the focus over the last ten years has been on retirement preparedness. As recent as last year, retirement preparedness topped the list of issues faced by employees that employer financial wellness initiatives were designed to address.<sup>3</sup> Yet a recent survey found that **84 percent of employees** are more focused on becoming financially independent than on achieving a traditional retirement.<sup>4</sup> In addition, we see less concern for retirement planning and lower percentages of employees reporting they contribute to their employer's retirement plan.

**Retirement Planning  
is a Top Priority**



**I Contribute To a  
Retirement Plan**





# The Start of a Workplace Revolution



## Employees Expect More

Workers are expecting more employer support and they are willing to change jobs to get it. Scores of American workers have already switched jobs during the Great Resignation. Many who are currently experiencing workplace stress are poised to follow.

The new workforce seeks employers that will align with their personal values, exhibit a sense of care and belonging, and provide access to personalized benefits, communication, and resources that promote mental, physical, and financial well-being. Demand for health and wellness programs that focus on the whole person has doubled, but fewer “must-have” benefits are offered.<sup>5</sup>

Eighty-four percent of employees believe their employer is responsible for their financial well-being<sup>6</sup> and increasingly want financial well-being benefits that include access to financial professionals, planning tools, and education. For employees who have already engaged in these benefits, the results have been extraordinary.



**76%** of jobseekers cite **better pay and benefits** as reason for seeking a new job.<sup>1</sup>

Workplace dissatisfaction reaches a tipping point as **47.4 million workers** quit their jobs in 2021.<sup>5</sup>

**52%** of jobseekers consider **health & wellness programs** a “**must have**” before accepting a new job, a **100% increase** since the start of the pandemic.<sup>5</sup>

**Employers can increase employee satisfaction and retention by offering financial well-being benefits that include access to financial professionals.**

**84%** of employees said financial well-being benefits impact their job satisfaction, and

**86%** said financial well-being benefits impact their desire to stay with their employer.<sup>6</sup>

## The Anatomy of a Revolution

**Overwhelmed by financial stress, employees are ready to take control!**

**83%** are motivated to improve their financial situation, and

**77%** say taking control of their financial situation is a **top priority**.<sup>6</sup>

**Employees expect employers to help.**

**84%** believe their employer is responsible for their financial well-being, but only

**55%** feel their employer is concerned about it.<sup>6</sup>





# The Success of An Adaptive Employer

# Emerging Trends

To compete for talent, employers must shift their approach to financial well-being to accommodate this new workforce. It must be holistic, personalized, and embedded in the company culture.

We have witnessed several noteworthy trends related to employer thoughts on the intersection of financial wellness and company culture. They include:

1

## **Increasing awareness of employee concerns**

Five years ago, employees ranked low pay and company culture as primary reasons for stress at work, whereas employers ranked both as low concerns.<sup>7</sup> Today, culture, pay, and benefits are among the top reasons workers seek a new job. Companies are responding by paying higher wages,<sup>8</sup> increasing benefit offerings,<sup>5</sup> and promoting company culture to attract and retain employees.<sup>9</sup>

2

## **Adopting financial wellness as a corporate responsibility**

Employers feel a sense of obligation to help promote employee financial well-being. Fifty-six percent of employers believe the importance of financial well-being programs has increased in the last two years, and 85 percent have developed, or are in the process of developing, a financial well-being strategy.<sup>10</sup>

## Emerging Trends, cont.

3

### Intersecting financial, mental, and physical health

The body of evidence supporting the relationship between mental, physical, and financial health is overwhelming. Sixty-five percent of employees with debt stress report it has an impact on their physical health,<sup>2</sup> and financial concerns is the top reason cited by employees with low mental health.<sup>5</sup> Historically, employers have treated each separately, but we are witnessing a rise in financial wellness initiatives that incorporate mental and physical health as part of a larger holistic wellness strategy.

4

### Promoting DE&I through financial wellness initiatives

Until recently, employee resource groups (ERGs) had to proactively ask HR departments for resources to address members' financial concerns. Within the last few years, we have noticed a concerted effort by HR professionals to actively promote the availability of resources as part of larger DE&I initiatives. Similarly, we are seeing increased demand for ADA compliant resources, content translated into Spanish, and content for the LGBTQ+ community.

## Emerging Trends, cont.

5

### Personalizing the employee experience

Given the diversity and complexity of today's workforce, a one-size-fits-all approach is ineffective and outdated. A recent survey found that 55 percent of respondents would prefer their employer use all information available to personalize benefits as much as possible.<sup>4</sup> Employers are using technology to customize the way benefit information and education is delivered.

6

### Holding financial wellness providers accountable

The Department of Labor's fiduciary rule may have stalled, but employer concern for making sure employees receive financial guidance that puts their interests first is very much alive. That's why employers are asking financial wellness providers to maintain a fiduciary standard when providing financial guidance and advice to employees.

# The Road to Success

The war for talent is real, and now is the time to act!

1

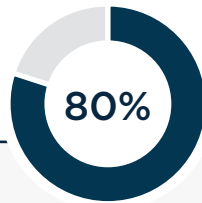
## Review and refine your benefit strategy

It's not a matter of how many benefits you offer, but which ones. Survey employees to find out what causes them stress and offer benefits that address the root causes.

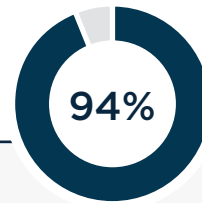
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## Up your communication game

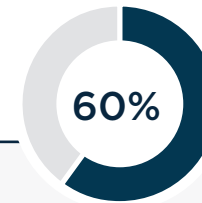
How benefits are communicated is key to employee retention. When employees understand their benefits, they are:<sup>5</sup>



more likely to be satisfied  
with their current job



more likely to feel valued  
and appreciated



more likely to remain with  
their current employer

When employees are satisfied with their benefits, they are:<sup>5</sup>

**2x**

more likely to be satisfied with their jobs

**70%**

more likely to be loyal to their employer

# The Road to Success, cont.

The war for talent is real, and now is the time to act!

3

## Develop a culture of holistic wellness

When it comes to employee wellness, the whole is greater than the sum of its parts. Look for opportunities to bring emotional, physical, and financial wellness benefits into alignment. For example, offer financial incentives when employees complete mental and physical wellness objectives. The more you communicate the intersection of these wellness elements, the more your employees will sense you care about them as a whole person.

4

## Measure quality more than quantity

Program success is often measure by participation rates, but that's not necessarily true when it comes to financial wellness. From a bottom-line perspective, improving the financial health of the most financially vulnerable will have a greater net effect than improving the health of everyone else. Ideally, the best program will have quality AND quantity when it comes to engagement.



# The Road to Success, cont.

The war for talent is real, and now is the time to act!

5

## Provide an omni-channelled financial wellness program

Our research shows that the more channels an employee engages with, the better the outcome.

To evaluate how level of engagement influences financial behavior, we separated workers who completed multiple financial wellness assessments into three categories:

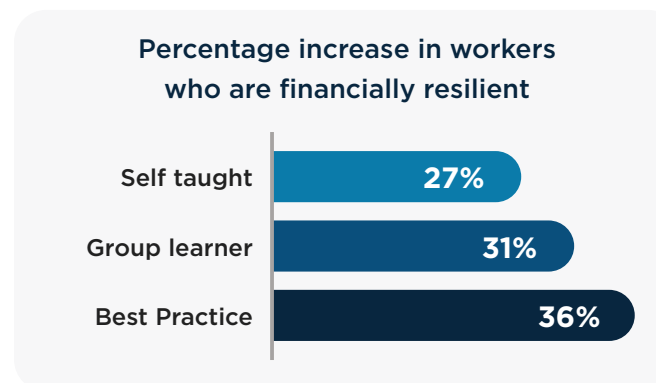
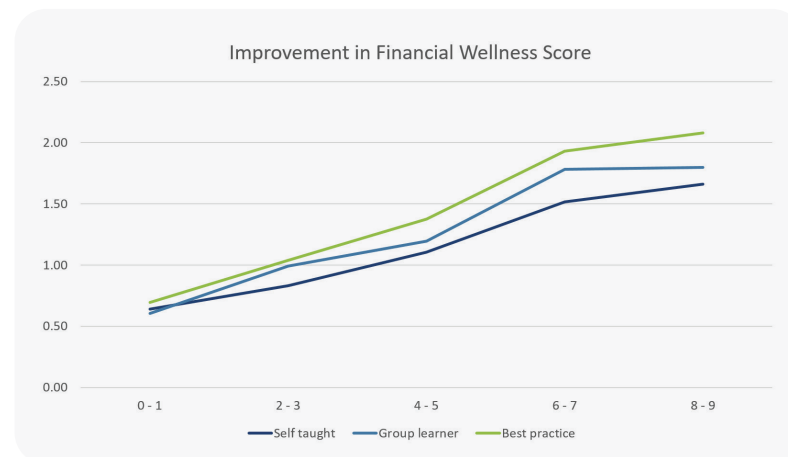


**Self taught:** Engage exclusively online

**Group learners:** Engage online and participate in group education

**Best practice:** Engage online, participate in group education, and work personally with a financial coach

As expected, employees who engaged across online, group education, and one-on-one coaching exhibited the greatest improvements in financial health and resilience.



# 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 111,580 initial financial wellness assessments completed between 2019 and 2021. All figures are rounded to the nearest whole percentage unless otherwise noted.

## Contributors

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# 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 country's leading independent provider of unbiased workplace financial wellness programs. Since 1999, the firm has helped over 10,000 organizations improve their bottom lines and become more competitive by empowering their employees to achieve financial security. The company's award-winning financial wellness programs are made available to employees at no cost as an employer-sponsored benefit. With highly personalized and ongoing one-on-one coaching from CFP® professionals, AI-powered virtual coaching, live workshops, webcasts, educational tools and content, Financial Finesse reaches over 2.4 million individuals every year.

[www.financialfinesse.com](http://www.financialfinesse.com)



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