

May
2023

Workplace Financial Wellness in America

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The Rise and Fall of Financial Stress and Resilience

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Reaching Diverse Populations

The changing demographics of the American Workforce drive a need for scalable, digital-first financial wellness solutions.

Inflation causes a setback in financial resilience.

Positive wage growth was not enough to compensate for the negative effect of inflation. American workers were **less likely to have an emergency fund** and **more likely to carry high-interest debt** in 2022.

Single-parent households feel the most financial pain.

Raising children alone is detrimental to financial wellbeing. Those who do are **nearly four times as likely** to have high or overwhelming levels of financial stress as married couples without children.

Financial stress contributes to decline in total wellbeing.

The percentage of Americans who would describe their mental and/or physical health as good or excellent **falls to a 20-year low**.

Technology extends reach but does not reduce need for live coaching.

Seven in ten employees engaged exclusively with a virtual financial coach, but those who worked with a live financial coach **exhibited a higher degree of financial wellness**.





How We Measure Financial Wellness

We see financial wellness as a journey that begins with tackling financial stress and building resilience. As employees achieve progressive financial milestones, they begin to work on their financial security. Once financial security is attained, they focus on maintaining an optimal level of financial stress and wellbeing.



Four Stages of Financial Wellness

We have identified the following four stages along the financial wellness journey toward optimal financial wellbeing.

	Crisis 	Struggling 	Planning 	Optimizing 
Financial Wellness Score Range	<3	3-5	5-8	8+
% with Unmanageable Financial Stress	53%	28%	3%	2%
Where They Stand	Behind on bills and struggling to meet basic needs.	Getting a handle on cash flow, debt, and saving for emergencies.	Achieving financial resilience and working on longer-term goals.	Becoming financially secure through wealth management and protection.
Key Improvement Needed	Perform financial triage and get cash flow under control.	Create spending plan with strategy to pay off high-interest debt and save for emergencies.	Use financial calculators to estimate savings needed to reach financial goals.	Acquire adequate insurance protection and prepare a tax and estate plan.
Optimal Outreach	One-on-one financial counseling.	Group education on money management and debt reduction.	Online access to financial tools and resources to help assess needs.	Ongoing personal financial coaching.
% of Workforce	13%	64%	20%	2%

Crisis

Employees who are in crisis mode are falling behind on bills and struggling to make ends meet. The urgency of their situation requires immediate access to financial resources to help them meet basic needs. This population is best served by working one-on-one with financial counselors who can help them locate resources and tackle stress through healthy coping mechanisms.

Top 5 Action Steps Taken

Analyze where your money is going

Look for ways to cut unnecessary expenses

Find extra money in your budget for your goals

Create a plan for every paycheck to cover bills

Consider getting health insurance coverage

Median Household Income Range

\$60,000 - \$75,000

Median Age

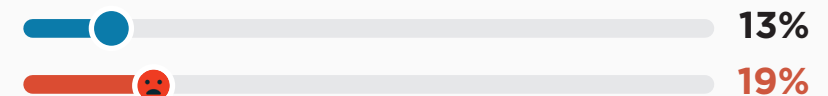
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Key Demographics

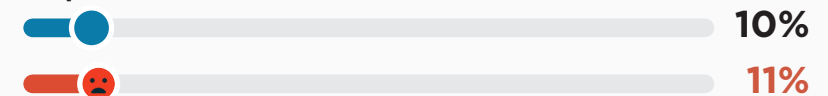
Female



Black



Hispanic



% of All Users

% of users in Crisis Stage

Struggling

Employees who are in the struggling stage are living paycheck to paycheck without a financial cushion. They need to start saving for emergencies while winnowing down their high-interest debt. Since this population is the largest, they are best reached through group education on cash and debt management strategies coupled with access to a virtual financial coach.

Top 5 Action Steps Taken

Run a retirement estimate

Analyze where your money is going

Decide on a debt payoff strategy

Look for ways to cut unnecessary expenses

Consider getting health insurance coverage

Median Household Income Range

\$75,000 - \$100,000

Median Age

41

Key Demographics

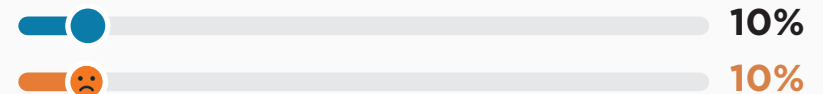
Female



Black



Hispanic



% of All Users

% of users in Struggling Stage

Planning

Employees who are in the planning phase have a comfortable handle on cash flow and are not concerned with debt. This group can work on building total financial resilience while pursuing longer term financial goals like retirement. Employees in this group will benefit most from digital resources like financial calculators combined with access to financial coaches who can curate personalized action plans for them.

Top 5 Action Steps Taken

Make sure investments are allocated appropriately*

Run a retirement estimate

Make sure you are capturing the full company match

Find extra money in your budget for retirement

Consider increasing retirement age

Median Household Income Range

\$100,000 - \$150,000

Median Age

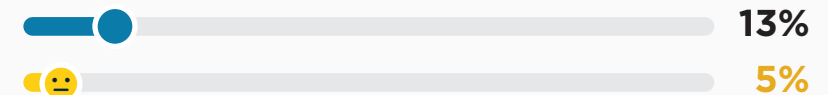
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Key Demographics

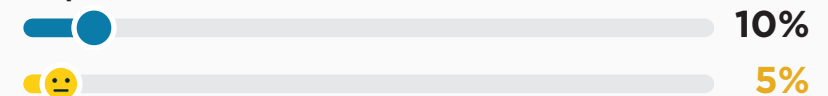
Female



Black



Hispanic



% of All Users

% of users in Planning Stage

Optimizing

Employees in this final stage are on track to reach their financial goals but may need help developing a wealth protection strategy. This group will benefit most from scheduled one-on-one consultations with unbiased Certified Financial Planner™ professionals.

Top 5 Action Steps Taken

Make sure investments are allocated appropriately*

Consider contacting a tax professional to review investment accounts

Choose a power of attorney

Run a retirement estimate

Create a healthcare directive

Median Household Income Range

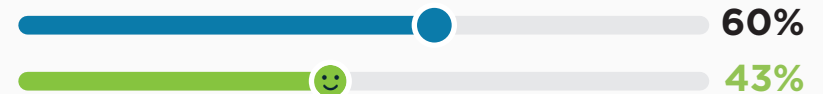
\$100,000 - \$150,000

Median Age

46

Key Demographics

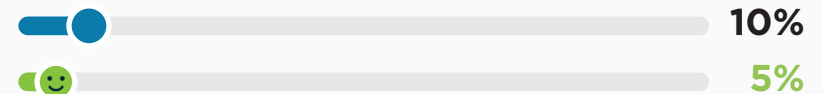
Female



Black



Hispanic



● % of All Users

😊 % of users in Optimizing Stage

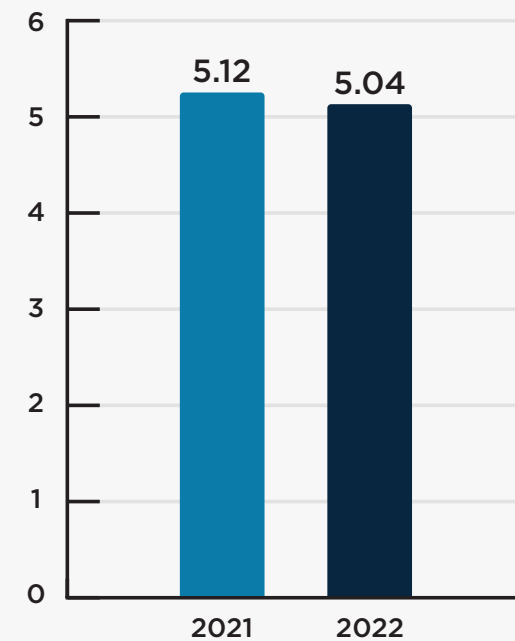


The Rise and Fall of Financial Stress and Resilience

Financial Wellness Inches Downward as Market Volatility and Inflationary Pressure Take Their Toll

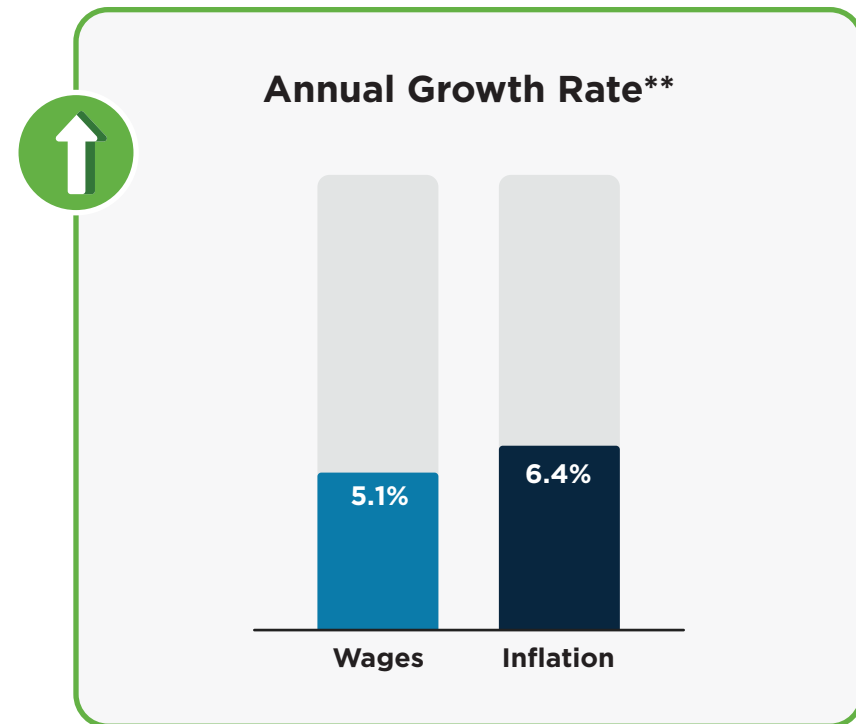
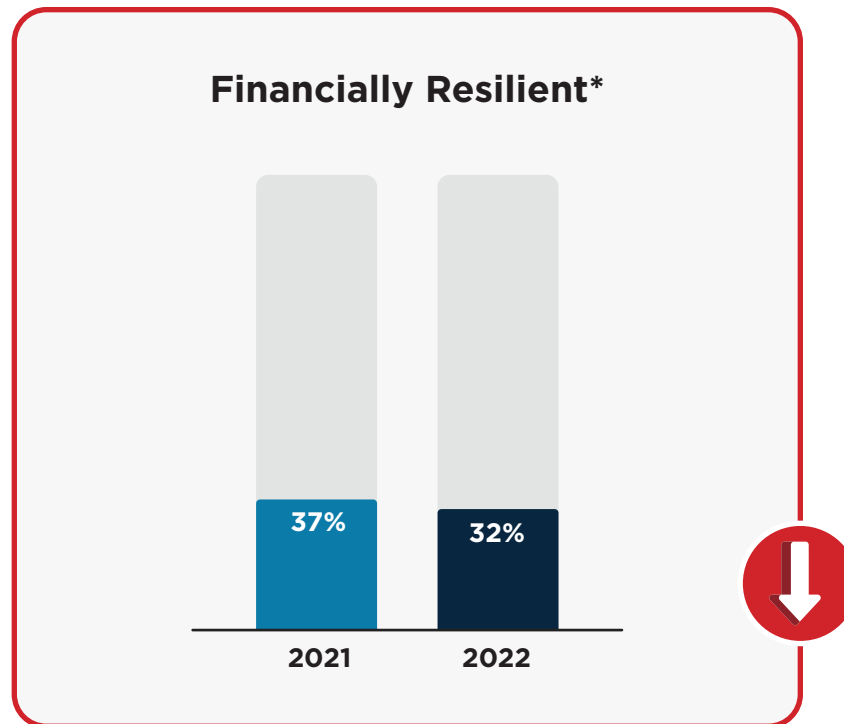
In a year of above average market volatility and inflation, the average American worker lost some of their financial footing with a small downward movement in their average overall financial wellness score.*

**Average Overall Financial
Wellness Score**



Financial Resilience Slips

The percentage of financially resilient workers decreased from 37 percent in 2021 to 32 percent in 2022. This was expected given the pressure of inflation on household finances. From January 2022 to January 2023, the Consumer Price Index (CPI) rose 6.4 percent. The decline in resilience may have been greater had it not been for the 5.1 percent increase in wages and salaries.



*Financial resilience is defined as living within your means, having no high-interest debt, and maintaining an emergency fund.

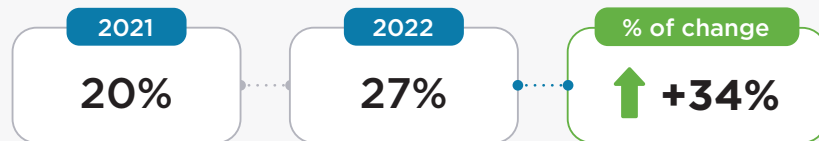
**Source: U.S. Bureau of Labor Statistics

Unmanageable Financial Stress Climbs 34 Percent

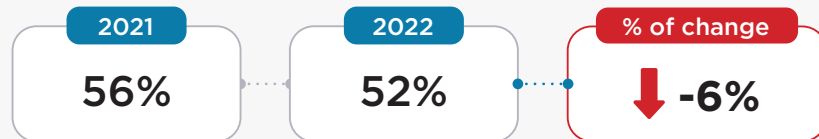
In response to the economic challenges of 2022, American workers were more likely to report feeling high or overwhelming levels of financial stress (i.e., unmanageable financial stress). The primary sources of stress shifted away from lack of confidence in meeting long-term goals or who to trust with managing money toward worry about the U.S. Economy and the ability to maintain control over their current financial situation.

Self-Reported Level of Financial Stress

High/Overwhelming



Some



None



Source of Stress

2021

2022

I don't think that I will meet future financial goals

39%

37%

I feel like my current financial situation is not under control

29%

31%

I don't know who to trust with investing my money

24%

20%

I worry about the US economy and/or stock market and how that will affect my financial future

38%

43%

Financial Stress Highest Among Single Parents

Differences in levels of financial stress were greatly influenced by marital status with household income (HHI) a primary contributing factor. The median HHI range for married couples was \$100,000 – \$150,000 compared to \$60,000 – \$75,000 for single workers. Parental status also contributed to levels of financial stress but to a lesser extent. Relative to their single counterparts, married workers benefit from shared expenses like housing, utilities, groceries, and childcare.

Married	Single	Level of Financial Stress	With Children	Without Children
81%	67%	Manageable	69%	78%
19%	33%	Unmanageable	31%	22%

Level of Unmanageable Financial Stress

Single Parents



57%

Single, no Kids



28%

Married Parents



23%

Married, no Kids



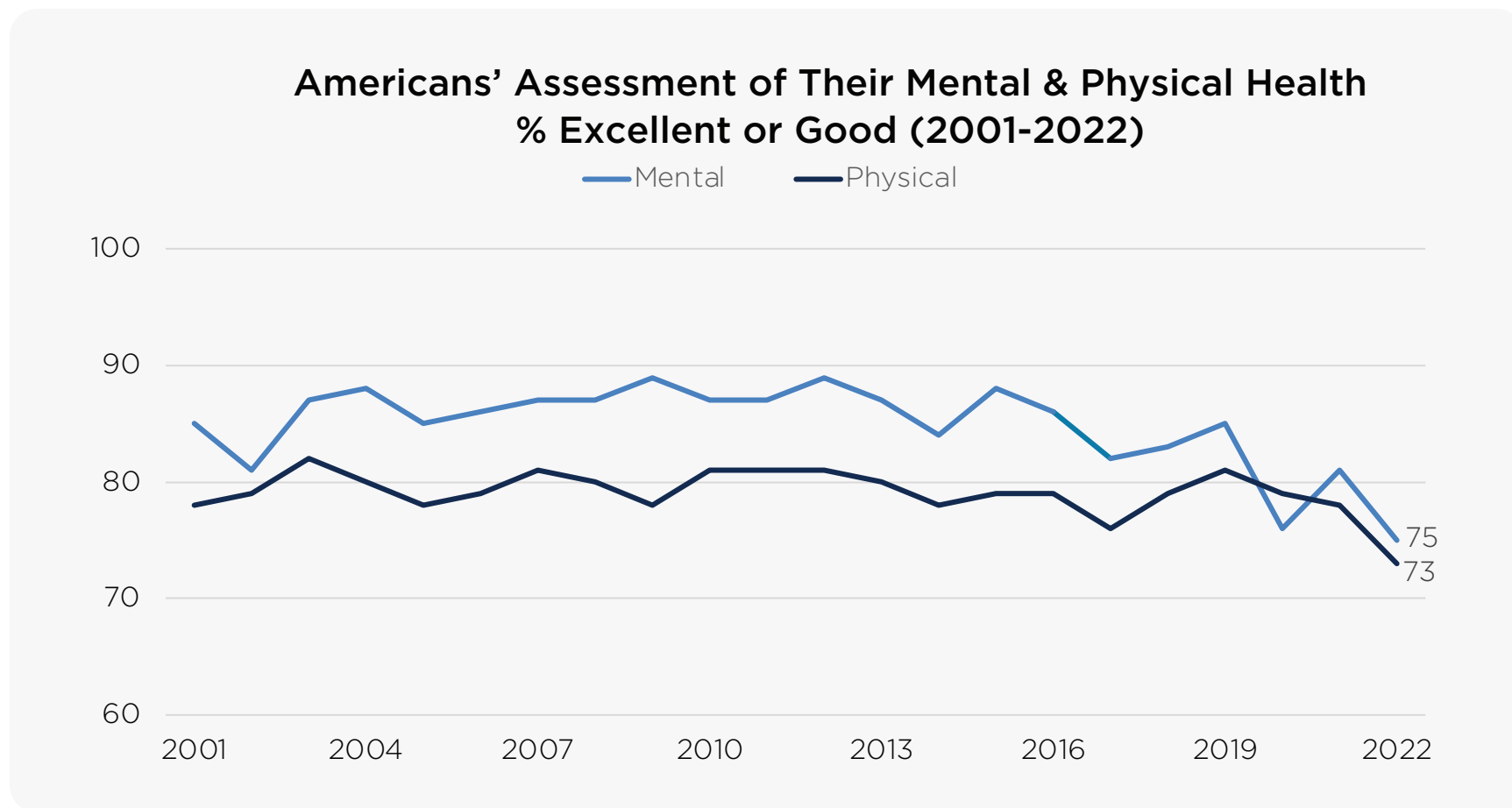
15%



The Butterfly Effect of Financial Stress

Mental and Physical Health At 20-Year Low

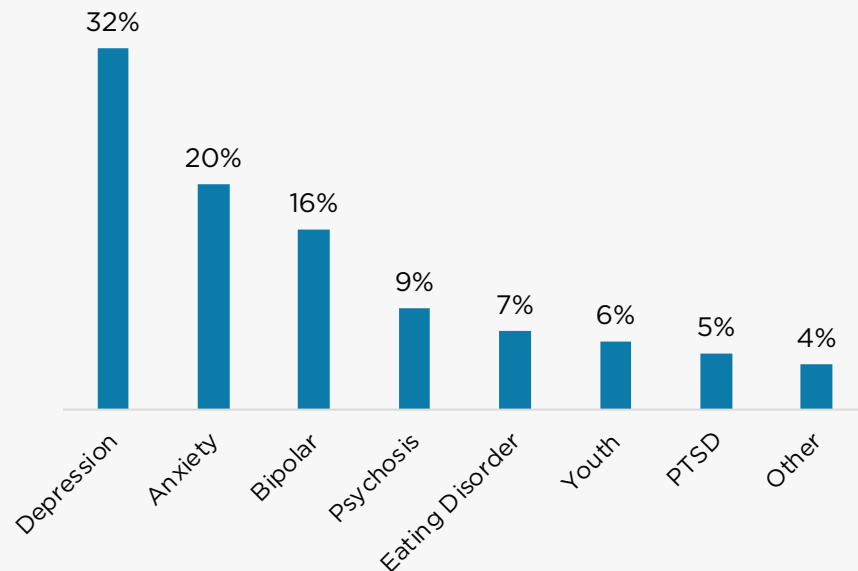
The increase in financial stress is taking its toll on other aspects of wellbeing. When asked about their health, the percentage of Americans who assessed their mental and physical health as “good” or “excellent” fell to 75 percent and 73 percent, respectively.* This is significantly below the average levels experienced over the last two decades.



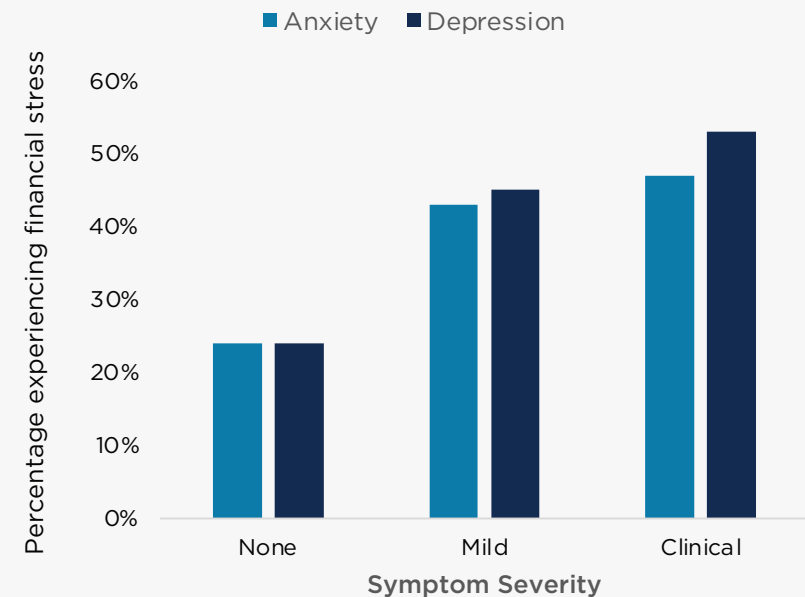
The Relationship Between Financial Stress and Mental Health

Since the start of the pandemic, mental health screenings have increased nearly five-hundred percent, with screens taken for depression and anxiety making up the lion's share in 2021.*

Percentage of Mental Health Screens Taken in 2021



As the severity of symptoms of anxiety and depression increase, so does the likelihood of experiencing financial stress.**



*Mental Health America. "Mental Health and COVID-19: Two Years After the Pandemic, Mental Health Concerns Continue to Increase."
<https://mhanational.org/mental-health-and-covid-19-two-years-after-pandemic>.

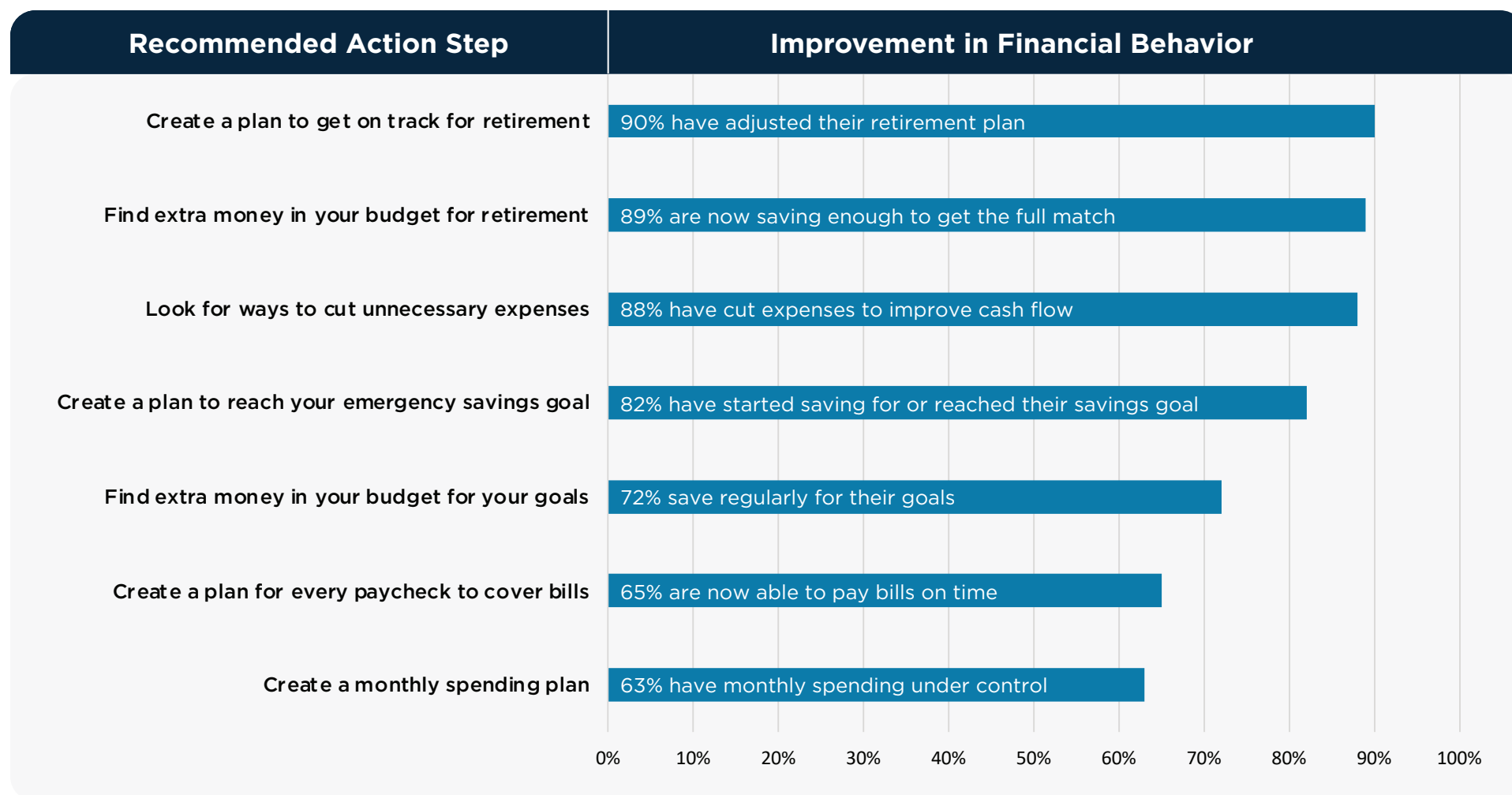
**Champion Health's Cost of Living Crisis: Financial Stress and Employee Wellbeing Report



Using Technology to Move the Needle

Improvements in Financial Behavior

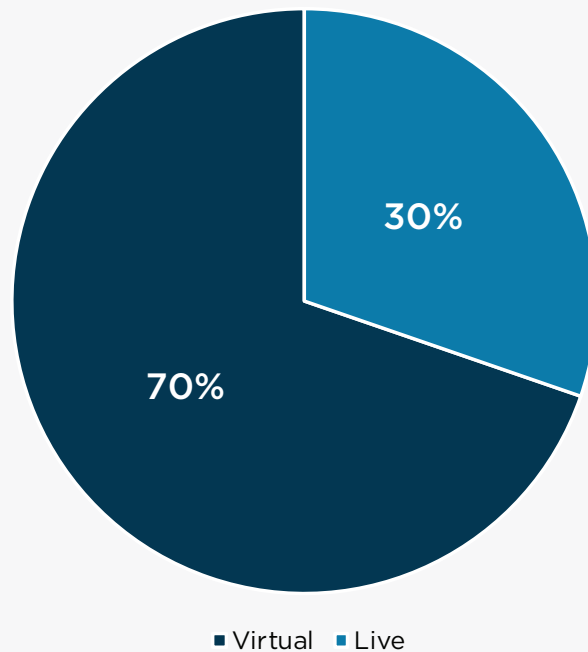
After launching our AI-powered virtual financial coach Aimee™ in 2021, employees have made significant progress toward optimal financial health, especially in the areas of managing cash flow, saving for emergencies, and preparing for retirement. The graph below illustrates the remarkable improvements made by employees who have completed each recommended action step:



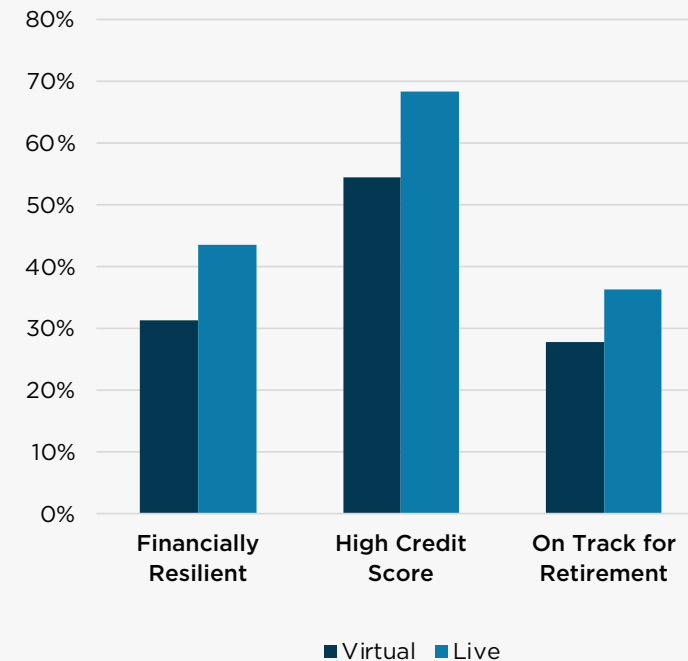
The Value of Live Financial Coaching

Employees are more than twice as likely to engage in virtual financial coaching than live financial coaching, yet the difference in financial outcomes is clear. Virtual coaching is a great way to increase employee access to financial wellness benefits, but it should not be relied upon as a sole means to improving employee financial behavior. Employers should evaluate organizational obstacles that may limit employee utilization of live services and develop strategies that encourage engagement with human financial coaches.

Employees used virtual financial coaching to live coaching by more than a 2-to-1 ratio



The Influence of Engagement Type





Reaching Diverse Populations

Case Study

Partnering with Employee Resource Groups (ERGs) to Close Gaps in Racial Financial Wellness

The data is clear. The racial wealth and financial wellness gaps are significant in the United States. Structural barriers in the U.S. have created profound racial inequalities, made worse by the pandemic. In 2022, Black and Hispanic populations were 38 percent and 28 percent less likely to have a positive cash flow than their White counterparts, respectively. Financial Finesse worked with ERGs to develop customized curriculum aimed at closing the gap as part of a holistic financial wellness benefit.

Results:

34%

Of participants engaged in the financial wellness benefit for the first time

76%

Of participants have already reengaged with the benefit

97%

Agree they feel “better prepared to make a financial decision”

↑ 23%

Increase in participants who are considered financially resilient*

Confidence in retirement preparedness has doubled

↓ 25%

Decrease in participants who say their “financial stress level is high”

Improving Mental Health through Financial Coaching

As noted earlier in this report, mental and financial health are inextricably linked.* Discover how one person overcame his mental health disorder with the help of a financial coach.

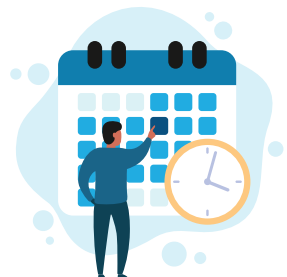


Initial meeting with a financial coach

Derek did not manage money well. His poor financial health contributed to symptoms of anxiety, and he used eating and spending as coping mechanisms. As spending increased, so did the balance on his credit card. This made him more anxious, which led to more spending, thus creating an unhealthy cycle. After speaking with a coworker, he finally reached out to a financial coach who helped him understand how his financial behavior was affecting his mental health. To break the cycle, Derek needed to reduce his spending, pay down his debt, and save more. But how?

Steps taken based on his personalized action plan

- **Step one:** To reduce his spending, Derek set limits on how much he could spend each month dining out and replaced takeout with meals prepared at home.
- **Step two:** Derek opened two savings accounts; one for emergencies and one for planned expenses like an upcoming trip to Alaska. With the money saved in Step one, he began automatically contributing \$250 a month to each.
- **Step three:** To tackle his debt, Derek stopped using his credit card and started using his debit card for everyday purchases.



Periodic check-ins with his financial coach to encourage progress

As Derek began to implement changes, his symptoms of anxiety became less severe and less frequent. He and his coach decided to schedule monthly follow ups to review his progress and discuss ways to keep him motivated and moving in the right direction.

Success Story

Improving Mental Health through Financial Coaching



Results:

- When Derek first spoke with his financial coach he had over \$15,000 in high-interest debt, virtually no savings, and moderate symptoms of anxiety daily.
- By aggressively reducing the amount spent on dining out and other expenses, along with using a debit card for everyday purchases, Derek cut his credit card balance in half within eight months.
- During that time, through automatic deposits and a timely tax refund, Derek saved over \$5,000 for emergencies.
- With his cash flow and debt under control, and with some cushion in case of an unplanned financial event, Derek now has only mild symptoms of anxiety a few days a week.
- Given the opportunity to share his experience, Derek expressed gratitude toward his employer for making the financial coaching benefit available and asked how he could “pay it forward.”
- Borne out of his own success, Derek hopes to be a role model for others who may be struggling with anxiety brought on by poor financial health.

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' interactions with Aimee™, our AI-powered virtual Financial Coach, who 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 34,168 employees who interacted with Aimee™ between April 1, 2021 and December 31, 2022. 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 and is used to measure employees' financial wellbeing through a series of dynamic inquiries generated by Aimee™, our AI-enabled virtual financial coach. By asking key questions, we can approximate the current state of their financial wellness.

About the Financial Wellness Score

The Financial Wellness Score is measured on a scale of 1 to 10, with 1 indicating no financial wellness and 10 indicating optimal financial wellness. Scores are calibrated to a series of financial milestones and increase as milestones are achieved. Employees who achieve a Financial Wellness Score within a specified range exhibit financial behavior as outlined in the following chart:

Wellness Score	Financial Behavior
8.00 or above	Employees have excellent financial skills and habits and are progressing toward optimal Financial Wellness. They are on track to meet their goals and fully prepared to weather unexpected challenges that arise.
5.00 to 7.99	Employees are demonstrating good financial skills and habits and are in a fairly good position to reach their goals, but there are additional actions they should take to fully prepare for their goals and protect themselves from challenges that may arise.
3.00 to 4.99	Employees may be sabotaging their own goals through poor personal financial skills and need more basic information.
Below 3.00	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

