

Financial Wellness:

The key to retirement readiness?



OUTCOMES MATTER



Financial wellness programs have been gaining ground as a vital component of holistic retirement plan design – and for good reason. Employers increasingly recognize that there is a direct link between financial wellness, employee performance, and their organization’s long-term success.

Yet for all the buzz around financial wellness, employee outcomes are what matter most. ***Financial Wellness: The key to retirement readiness?*** delves into the topic of financial stress and its impact on the financial wellbeing of both employers and the employees they serve. It also shares some initial findings from our recent consumer needs study¹, including the behaviors that prevent many employees from achieving financial security and best practice insights on financial wellness programs and what it takes to move the needle on retirement readiness.





Making connections

Employers count on their employees to further the success of their business. To drive growth, employees must be focused, energized and engaged. Yet many come to work each day stressed about personal financial worries. Those money woes can affect their productivity at work. It can also impact their ability to save enough for retirement. And both can have a negative effect on the financial health of an employers' business.

Here's how:

Connect the dots: When workers are financially stressed, everyone pays the price.

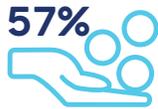
EMPLOYEES



of Americans live
PAYCHECK TO PAYCHECK,
up from 75% in 2016.²



18% of workers have reduced
their **401(k) CONTRIBUTION**
and/or personal savings in the last year.⁴



57% of Americans say they have
LESS THAN \$1,000
IN A SAVINGS ACCOUNT.⁶



51% of financially stressed
employees say it's likely they'll
TAP THEIR RETIREMENT
plans prior to retirement to cover
other expenses.⁸



Given the tangible and intangible costs of financial stress in the workplace, it's not surprising that more and more companies are recognizing that investing in their employees' financial health isn't just the right thing to do – it's also an essential business strategy.

EMPLOYERS

FINANCIALLY STRESSED

employees, on average, spend **13 HOURS PER MONTH** distracted by finances at work.³



80%

OF HUMAN RESOURCES PROFESSIONALS

surveyed say that financial problems impact **employee performance**.⁵

FOR EVERY \$1 CONTRIBUTED



to retirement plan accounts of workers under age 55, **40 cents leaks out in the form of withdrawals** – and that doesn't include loans against retirement savings.⁷

FINANCIAL STRESS

can cost an employer with 10,000 workers as much as **\$3.3M** in lost productivity.⁹

PER YEAR





A catalyst to do more

Historically, employers have focused on providing financial education to help their employees appreciate the advantages of saving through their retirement plan. More recently, employers have been leveraging plan design auto-features (such as auto-enrollment and auto-escalation) and QDIAs (specifically, target-date funds) to help them get closer to their plan goals for participation, savings, and asset allocation. But is that enough?

Even when employees grasp the importance of saving for long-term goals, our research finds that there is a large chasm between how employees feel about their finances and how they want to feel. The reality is that most are balancing competing demands on their money. Student loans, credit card debt, saving for college are just some of the priorities. It's not surprising that many employees expect to retire later than they originally planned¹⁰ not because they want to, but because they need to.

Fortunately, employers recognize the implications of a financially stressed workforce and are taking action. In response, 60% of companies report that their focus on employee financial health has increased over the last 24 months.¹¹

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OF COMPANIES REPORT

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Our research into the participant mindset recognizes that people have a tendency to focus on short-term priorities versus long-term goals.¹²



Traditional financial education programs are not enough

The good news is that financial wellness programs can and do make a difference. However, providing financial wellness isn't as simple as offering a guide to retirement planning hoping for the best.

Our research into the employee mindset recognizes that people have a tendency to focus on short-term priorities versus long-term goals.¹² Also, they're much more likely to take action when the financial education they receive includes personas and testimonials they can relate to.

Fortunately, financial wellness has evolved from a measure of financial literacy to a more holistic and personalized view of an employee's unique financial journey that encourages behaviors that will help them reach retirement readiness.

Best practices financial wellness programs create multiple touchpoints to meet employees wherever they are in their financial journey, providing real experiences that have meaning and value to employees – including from actionable tools and resources to help them set aside money for emergencies, create a spending plan they can live with, save for a home and fund a child's education, while still saving for long-term financial goals like retirement. The more employees can relate to and interact with financial wellness tools, the more positive the outcome – and the greater the likelihood that they will continue to leverage the right resources to meet their needs, when it means the most to them.



FINANCIAL WELLNESS

takes a more holistic and personalized view of an

EMPLOYEE'S UNIQUE FINANCIAL JOURNEY



Financial wellness benefits compound over time

A recent study showed that employees who repeatedly engage with a workplace financial wellness program benefit from a compounding effect, where gains in financial health grow over time.¹³





When employers play an active role in helping to improve their employees' financial wellness, employees face less financial stress and distraction, and employers benefit from a more engaged and productive workforce – and everyone wins.

Employees with access to financial wellness programs have more than twice the job satisfaction and higher levels of trust in their employer than those without access.¹⁴



On average, firms offer **4.7 benefits** for financial wellbeing or debt assistance to their employees.¹⁵



Financial wellness with a difference

While more companies are adopting financial wellness programs, 38% of firms consider their financial wellness initiatives to be in the pilot phase. Another 34% describe their efforts as periodic campaigns or ad hoc programs.¹⁵ This suggests there is an excellent opportunity to help create a program where everyone wins.

At MassMutual, we believe that financial wellness is in everyone's best interest. When employees have a financial game plan for meeting the financial challenges ahead, they're more positive and productive. They also are more likely to retire on time – which can be good news for an employer's bottom line.

The idea of financial wellness isn't new to us – it's been part of our commitment to customers for more than 165 years. Our comprehensive platform of holistic financial wellness tools and solutions, including our innovative MapMyFinances tool, are action-oriented, easy to implement, and support behavioral change.

Together, they provide a game plan that can help plan participants make smart choices about the short- and long-term financial challenges they face – one that also provides a way for employers to boost the financial security of the employees they serve. When you connect the dots between a financially fit, retirement-ready workforce and an employers' bottom line, everyone wins.



38% of firms consider their financial wellness initiatives to be in the **PILOT PHASE**.¹⁵



34% describe their efforts as **PERIODIC CAMPAIGNS** or **AD HOC PROGRAMS**.¹⁵

When part of a thoughtfully designed retirement plan, a financial wellness program can help:

- Increase employee engagement and retention
- Boost productivity and job performance
- Reduce absenteeism and lower turnover rates
- Increase participation in employer-provided benefits plans
- Drive retirement readiness for all employees
- Pave the way for career advancement opportunities for younger employees and decrease turnover
- Empower employees to take control of their financial lives

75%

of firms with **10,000** or more employees offer financial wellness programs versus **49%** of smaller firms.¹⁵

Source: EBRI. 2018 Employer Financial Wellbeing Survey. www.ebri.org/publications/research-publications/issue-briefs/content/ebri-s-2018-employer-financial-wellbeing-survey

Let's talk

To learn about MassMutual's retirement plan solutions, including our leading edge financial wellness tool, MapMyFinances, please contact us today at **1-800-874-2502**, Option 4.



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