



87<sup>TH</sup> PUBLIC POLICY FORUM  
JULY 2, 2020

FINANCIAL WELLNESS IN TIMES OF CRISIS

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# REMEMBER THE WHEN LAKE ERIE CAUGHT ON FIRE?



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# THANK YOU POLICY FORUM DEVELOPMENT TASK FORCE!

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Jeanne de Cervens

Michael Doshier, T Rowe Price

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Joe Healy, PIMCO

Tom Johnson, Retirement Clearinghouse

Melissa Kahn, State Street Global Advisors

Gary Koenig, AARP

Chantel Sheaks, U.S. Chamber of Commerce

Mike Skinner, T Rowe Price

Michael Sowa, LGIMA

Jana Steele, Callan

Aron Szapiro, Morningstar

For information about joining, contact Betsy Jaffe at [jaffe@ebri.org](mailto:jaffe@ebri.org)

## Forums

### Summer 2020 Policy Forum #87

If your organization is interested in sponsoring one of our events, contact us at [memberships@ebri.org](mailto:memberships@ebri.org).



On the week of June 29th, EBRI will offer its traditional spring Policy Forum in a nontraditional format — via a series of webinars. While we would love to see you in person — and hope we will see you in healthier times in December — EBRI wants to deliver timely, valuable content in a manner that is safe for our community. We plan to offer compelling speakers addressing policy implications in a post-pandemic world. We'll be discussing retirement, health, and financial wellness issues within the prism of the times.

[Register now!](#)

[Full Agenda](#)

#### Presentations

- **June 29:** CARES Act: Implications for Retirement Security of American Workers
- **June 30:** The New Landscape: COVID-19's Impact on Defined Benefit Plans
- **July 1:** Coming out the Other Side of COVID-19: the

### Forum Location

**Virtual!**

[Register Here](#)

[Past Forums](#)

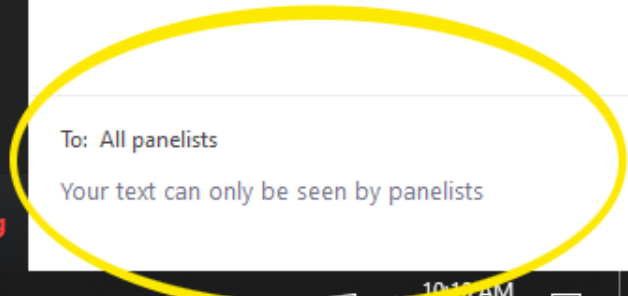
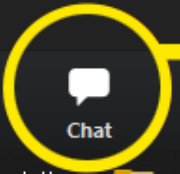
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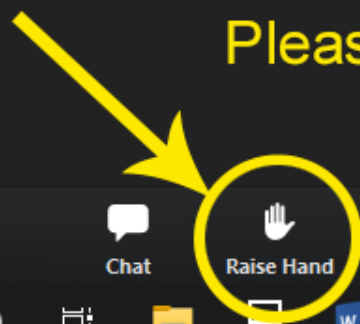
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Your text can only be seen by panelists

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Shai Akabas, Director  
of Economic Policy,  
Bipartisan Policy  
Center



Beth Pattillo, Director,  
Retirement Programs,  
Leidos



Suzanne Schmitt, Vice  
President, Financial  
Wellness, Prudential  
Financial



**Moderated by:** Craig  
Copeland, Senior  
Research Associate,  
EBRI



# TODAY'S AGENDA

- How are plan sponsors, providers, and policymakers addressing the current emergency savings need?
- What approaches are plan sponsors adopting?
- What are we seeing in policy circles?
- How are providers refining their offerings?



# Emergency Savings – What Share of Families Have Enough to Last Three Months

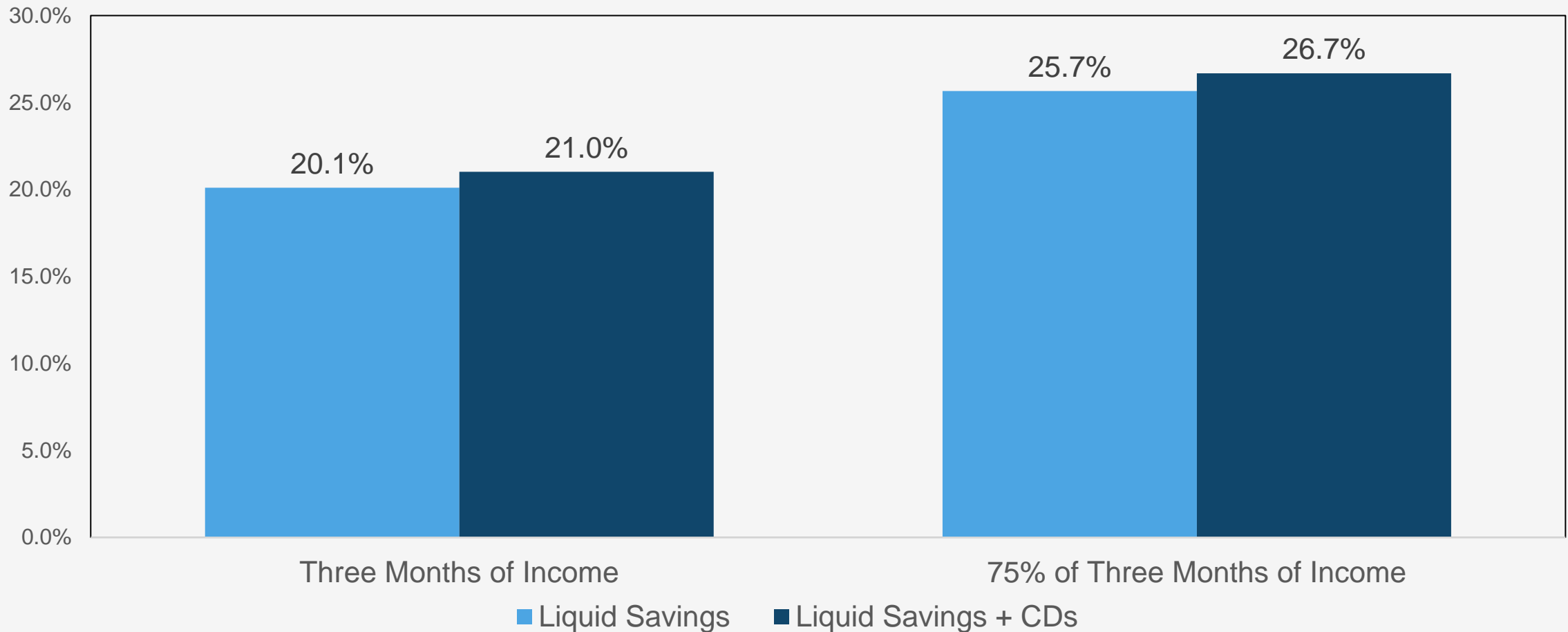
EBRI Policy Forum

July 2, 2020

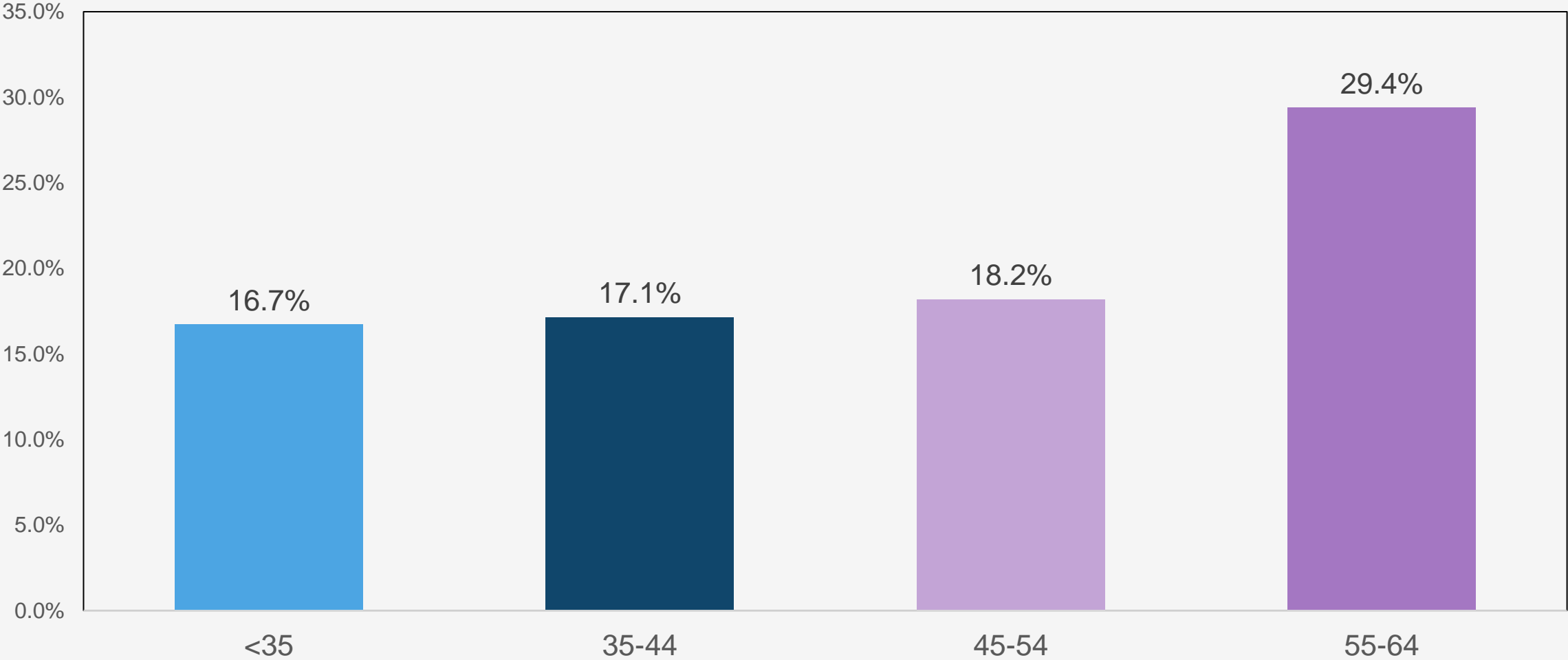
# Emergency Savings

- There has been a large amount of discussion about the self-reported ability to cover an unexpected \$400 emergency expense, but that doesn't really help with more extended periods of losses of income.
- Using the Federal Reserve's Survey of Consumer Finances (SCF), actual reported liquid savings that families have can be determined.
- Liquid savings=checking accounts + savings accounts + money market funds + call accounts + prepaid accounts.
- Add CDs to liquid savings for a second measure of emergency funds.
- Compare liquid savings with three months of total family income (not expenses), and also compare them with 75% of income for a proxy of expenses.
- How many families surpass this threshold? By age of family head? By family income?

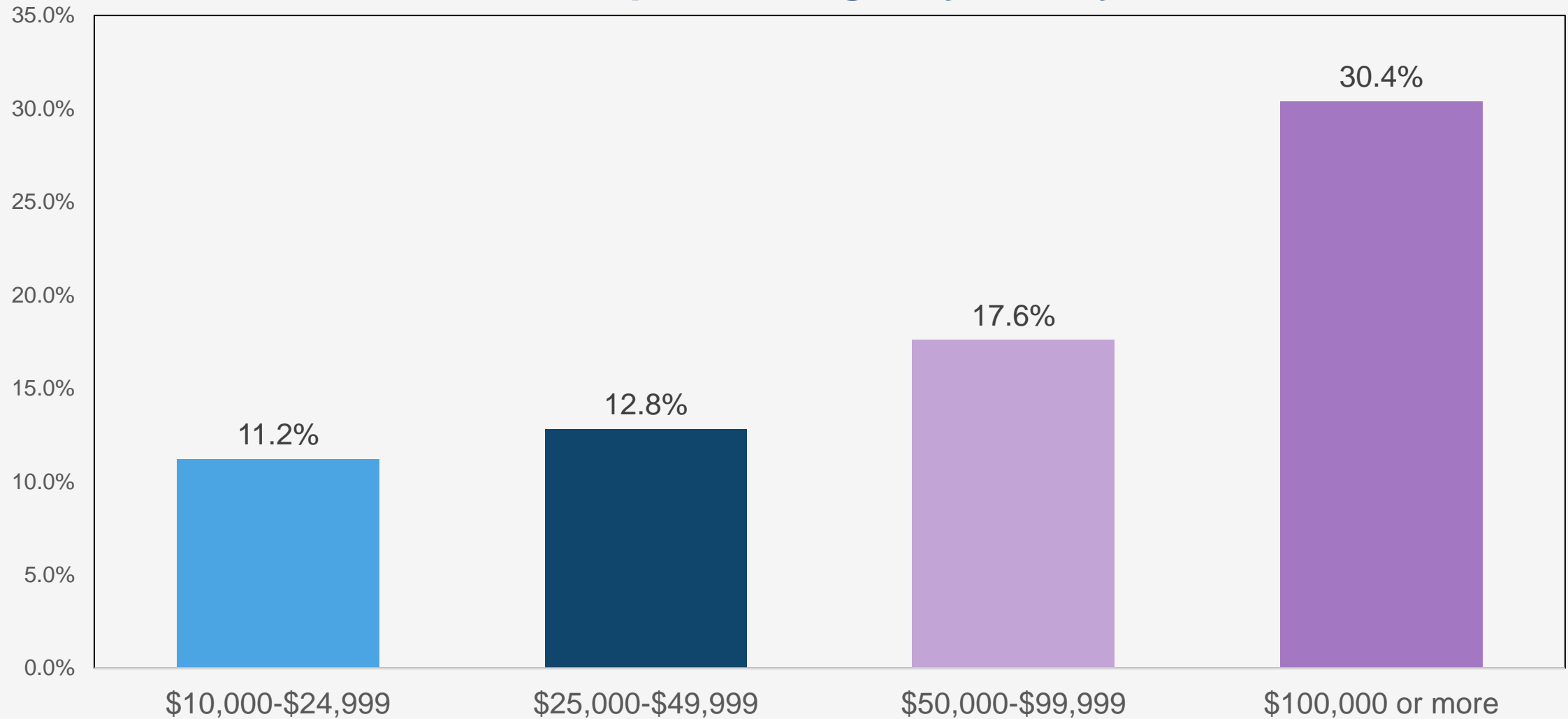
# Percentage of Working Family Heads Who Have More Than Three Months of Income and 75% of Three Months of Income in Liquid Savings and Liquid Savings Plus CDs



# Percentage of Working Family Heads Who Have More Than Three Months of Income in Liquid Savings, by Age



# Percentage of Working Family Heads Who Have More Than Three Months of Income in Liquid Savings, by Family Income



# Takeaways

- The overwhelming majority of American families do not have liquid savings that surpass three months of their income—only 20.1% do, and only 25.7% have in excess of 75% of three months of income.
- These numbers are even worse for families with younger family heads and lower incomes, reaching as high as 90% not surpassing the three-months-of-income threshold.
- This was before the pandemic, and now the situation is even worse for many lower income families.
- The lack of emergency savings before the pandemic and now after has brought to the forefront the need for emergency savings, and financial wellness programs that help build up these savings have become widely discussed.

## Workplace Solutions

BENEFIT EXPERIENCES THAT  
HELP CREATE AND PROTECT  
FINANCIAL WELLNESS



EBRI

# Financial Wellness in Times of Crisis

July 2, 2020

Suzanne Schmitt

VP, Financial Wellness, Prudential Financial





# Financial precarity levels were high prior to COVID-19

## Manage Day-to-Day Finances

- **49% have at least one immediate worry such as paying the rent/mortgage**, meeting monthly minimum credit card charges and/or other recurring monthly bills (Gallup's Annual Economy and Personal Finance Survey, 2019)
- **25% spend more than they make monthly** (Prudential Financial Wellness Study, 2017)

## Protect Against Risks

- **63% can't come up with \$500** in case of emergency (Prudential Financial Wellness Study, 2017)
- **29% of people say their level of debt is ruining their quality of life** (Kantar Monitor Data, 2019)

## Achieve Important Goals

- **76% have credit cards while 47% have retirement accounts** (The Secret Financial Lives of Americans, 2018)
- **The median 401k balance is \$24,800** (Fidelity, 2019)

# COVID-19 highlights the need for employer-based financial wellness

## Financial health is workers' biggest wellness concern

Workers are more concerned about their finances than they are about mental or physical health.

By: [Kathryn Mayer](#) | April 29, 2020 • 2 min read

**Human Resources Executive, April 2020**

## COVID-19 accentuates the need for employee financial wellness

Helping employees cope with the economic fallout of COVID-19 is a win-win. Here are some ideas for what you can do.

By **Kris Alban** | May 11, 2020 at 08:13 AM

**Benefitspro, May 2020**

## Employers Are Beefing Up Financial Wellness Programs

The coronavirus pandemic has exposed workers' need for financial coaching and for employers to offer resources.

*Reported by LEE BARNEY*

**PLANSPONSOR, May 2020**

# Comparing financial wellness assessment takers pre/mid-COVID

Who is taking the FW Assessment, and how do financial stress, confidence, and habits differ pre- and amid-COVID?

## Who is taking the Financial Wellness Assessment?

	Pre-COVID	Amid-COVID	
Unique Assessment Takers:	46k	3.9k	
<b>HHI Income</b>			<b>Difference</b>
<\$50k	16%	19%	3%
\$50k-\$100k	36%	37%	1%
>\$100k	48%	44%	-4%
<b>Gender</b>			
Female	46%	53%	7%
Male	54%	47%	-7%
<b>Age</b>			
<=25	4%	6%	2%
26-35	17%	23%	6%
36-45	19%	22%	3%
46-55	27%	25%	-2%
56-65	28%	21%	-7%
>65	5%	4%	-1%

COVID is defined as 2/24/20, the first week of COVID-induced market volatility

**Insight**

During COVID, there is a greater representation of FW Assessment takers who are lower income, female, and younger.

## How do financial stress, confidence, and habits differ pre- and amid-COVID?

	Pre-COVID	Amid-COVID	
<b>Financial Stress:</b>			<b>Difference</b>
% Stressed	70%	73%	3%
<b>Retirement Confidence:</b>			
Confident in Retirement Savings	63%	59%	-4%
<b>Saving Habits:</b>			
Save a good amount	40%	33%	-7%

**Insights**

Amid-COVID Assessment Takers are:

- More financially stressed
- Less confident in their retirement savings
- Less likely to save a good amount

COVID is defined as 2/24/20, the first week of COVID-induced market volatility

Source: Prudential Retirement Enterprise Data Warehouse. Findings are aggregated from 49,544 unique completions of the Financial Wellness Assessment tool between 03/01/2018 – 04/30/2020, across all Full Service Defined Contribution Plans. All data is self-reported. Findings are not weighted.

For institutional plan sponsor use only. Not to be distributed to plan participants or the general public.

# Taking a closer look at sector, gender financial stressors

How do financial stressors, confidence, and habits appear among those especially affected by COVID?

## How do financial stressors, confidence, and habits appear among those especially affected by COVID?

	Pre-COVID	Amid-COVID	Difference		Pre-COVID	Amid-COVID	Difference		Pre-COVID	Amid-COVID	Difference
<b>Retail</b>				<b>Healthcare</b>				<b>Women in Healthcare</b>			
<i>Financial Stress:</i>				<i>Financial Stress:</i>				<i>Financial Stress:</i>			
<b>% Stressed</b>	76%	83%	7%	<b>% Stressed</b>	75%	83%	8%	<b>% Stressed</b>	78%	86%	8%
<i>Financial Stressors:</i>				<i>Financial Stressors:</i>				<i>Financial Stressors:</i>			
<b>Student Loan Debt</b>	12%	19%	7%	<b>Student Loan Debt</b>	29%	33%	4%	<b>Student Loan Debt</b>	30%	36%	6%
<b>Saving for the Future</b>	67%	74%	7%	<b>Saving for the Future</b>	71%	75%	4%	<b>Saving for the Future</b>	70%	75%	5%
<i>Retirement Confidence:</i>				<i>Retirement Confidence:</i>				<i>Retirement Confidence:</i>			
<b>Confident in Retirement Savings</b>	54%	49%	-5%	<b>Confident in Retirement Savings</b>	58%	52%	-6%	<b>Confident in Retirement Savings</b>	55%	49%	-6%
<i>Saving Habits:</i>				<i>Saving Habits:</i>				<i>Saving Habits:</i>			
<b>Save a good amount</b>	30%	23%	-7%	<b>Save a good amount</b>	36%	28%	-8%	<b>Save a good amount</b>	32%	22%	-10%

Women in Healthcare appear slightly more affected than men

### Insight

During COVID, affected industries and populations are more financially stressed, more likely to be stressed by student loan debt and saving for retirement, less confident in their retirement savings, and less likely to save a good amount.

Financial Stressors calculated as a percentage of respondents within each population who are very stressed or somewhat stressed.

Source: Prudential Retirement Enterprise Data Warehouse. Findings are aggregated from 49,544 unique completions of the Financial Wellness Assessment tool between 03/01/2018 – 04/30/2020, across all Full Service Defined Contribution Plans. All data is self-reported. Findings are not weighted.

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# So how we help people find the money to fund emergency savings?

## Assess where you are

- Create a personal balance sheet – inventory what you own and owe individually and as a couple if applicable
- Get an objective sense of where you are by completing a financial wellness assessment
- Commit to working your next best steps

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## Build a budget

- Capture housing costs, auto and transportation costs and utilities
- Include personal debt such as student loans, medical bills and credit cards
- Don't forget things like memberships and quarterly expenses like recycling and property tax
- Come clean with yourself and your partner about debt...
- Have an honest conversation about what's truly essential if there's no money left to fund emergencies...

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## Automate emergency savings

- Check into employer-sponsored emergency benefits options
- Consider opening a money market account and automating payments

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## Redefine “emergency”

Experts including Rachel Cruz recommend pressure testing whether a situation is really an emergency by answering the following questions:

- Is it unexpected?
- Is it necessary?
- Is it urgent?

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## Protect against fraud and identify theft

- Use unique, strong passwords
- Set up two-factor authentication if your institution allows
- Don't respond to unsolicited requests for personal information

# In-plan emergency savings feature

Employer-sponsored retirement accounts are the primary savings vehicle for most employees.<sup>1</sup>



## Unexpected events require quick access to money

Events like car repairs, expensive home repairs or medical emergencies.



## In-Plan Emergency Savings Feature

By introducing an after-tax, payroll-contributed option, participants will have access to the money they need to help them address whatever life throws their way.



## Dual-purpose savings vehicle

Long-term retirement savings. Access to cash in case of an emergency.<sup>3</sup>

<sup>1</sup> Forbes.com, "63% Of Americans Don't Have Enough Savings To Cover A \$500 Emergency," Jan. 6, 2016

<sup>2,3</sup> All investing involves various risks, including the possible loss of principal. It is possible to lose money by investing in securities.

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Contributions may be subject to certain limits and distribution rules may vary by plans. See Plan Highlights for information.

Amounts withdrawn before age 59½ may be subject to a 10% federal income tax penalty, applicable taxes and plan restrictions. Withdrawals are taxed at ordinary income taxes rates. Penalty does not apply to 457(b) plans.

After-tax contributions withdrawn are generally tax free. If you need to withdraw money from the after tax account, it will include a pro rata share of the earnings from investments. Investment earnings are taxable as income upon distribution, and a 10% early withdrawal penalty on earnings may apply. The early withdrawal penalty will need to be addressed when filing your next tax return. You should consult tax advice when considering taking any withdrawals from retirement accounts. Keep in mind that Prudential does not give tax advice.

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## MISSION

Leidos makes the world safer, healthier, and more efficient through information technology, engineering, and science.

## VISION

Become the global leader in the integration and application of information technology, engineering, and science to solve our customers' most demanding challenges.

We will deliver innovative solutions through the efforts of our diverse and talented people who are dedicated to our customers' success. We will empower our teams, contribute to our communities, and operate sustainably.

## VALUES

-  Integrity
-  Innovation
-  Agility
-  Collaboration
-  Commitment

# Financial Wellness: A Corporate Perspective

July 2, 2020





# The Journey...

- ▶ Leidos' Retirement Plan was recognized as one of four finalists for the 2019 PlanSponsor of the Year. The nomination was based on our 2018 design, which was recognized as a 'destination plan'. Destination plans are designed and communicated in a way that helps participants recognize the value of the Plan both while actively employed and throughout retirement.
- ▶ Leidos remains committed to maintaining this favorable status and improving its education and communication tactics.
- ▶ Numerous studies indicate that the number one financial challenge employees face is managing credit card and other debt (including student loans). Other top financial challenges are: adequate retirement savings, paying for children's educational expenses, and covering basic living expenses. Employers need to care because the numbers show that these factors are impacting productivity in the form of stress, inability to focus at work, physical health concerns and absenteeism.
- ▶ In June 2018, Leidos undertook a conjoint benefits survey that among other things highlighted concerns when considering the need for financial assistance. Responses came from 11,700 employees, or nearly 60% of our U.S. workforce.

# Financial Concerns...

- ▶ We asked our employees pointed questions relative to financial wellness. We learned:
  - Employees described their current financial situation as stressful and were not confident in preparing financially for retirement
    - ~55% agreed, between ages 20-55
    - ~45% agreed, for ages 55+
  - Regardless of title, location and salaries,
    - 31% of our population indicated that it would be difficult to address a \$500 unforeseen expense
    - 17% indicated that they would need to rely on credit cards to pay their bills over the next 6 months
  - Employees indicated that Leidos could do more to help them prepare financially
    - ~40% of all employees agreed
  - 71% of respondents said they would participate in a financial wellness program should Leidos offer it.

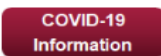
## Leidos Responds...

- ▶ We have embraced Prudential's suite of financial wellness tools and services. Prudential brings in certified financial experts to locations throughout the U.S. to host the multi-week Pathways financial wellness series, specialized onsite meetings and more recently shifting to on-line offerings. In addition, Prudential provides student loan debt solutions and education through Vault. Metrics reflect high engagement and continued requests for more focused presentations.
- ▶ Following a highly successful pilot program in mid-2019, we rolled out financial coaching services to all of our employees through SmartPath beginning late 2019. SmartPath provides both on-site and webinar courses along with one-on-one coaching with certified financial specialists and numerous web-based tools and resources. Metrics reflect high engagement and positive trends on stress reducing measures.
- ▶ Leidos also provides employees with access to Purchasing Power through our voluntary benefits offerings. While not a discount program, Purchasing Power provides an option for people to acquire what they want and repay responsibly through payroll deductions over 6 or 12 months (eliminating further credit card debt).

## Leidos Responds...

- ▶ All our financial wellness vendors, including our recordkeeper, Vanguard, and our HSA provider, HealthEquity, work together to provide holistic messaging to direct employees to the right resource to help them with their specific needs, in some cases providing joint webinar sessions.
- ▶ New this year, Leidos is a proud early adopter of Vanguard's proprietary advice offerings and we are excited to bring together cohesive, investment advice to our employees, both active and former.
- ▶ To further help our employees, we've developed an engaging and detailed financial wellness site...

# Leidos Responds...



Human Resources & Business... > Human Resources > Benefits: Health & Welfare > Leidos, Inc. Retirement Plan >

## Financial Wellness

### Welcome to the Financial Wellness Page

Leidos believes that financial wellness is an important part of a person's overall health and wellness. Therefore, we are pleased to offer a complimentary suite of programs to meet the varying needs of employees in diverse financial circumstances. We have partnered with professionals to educate and provide resources to employees on important financial topics such as budgeting, credit card debt, student loans, managing life events, retirement planning, and much more. We invite you to explore the various tools and resources on this page.

*The below benefits are not available to Leidos Biomedical Research or Leidos QTC.*

#### A Special Message about SmartPath Resources

We understand some people are struggling with money and don't know what to do. Leidos has partnered with SmartPath to make sure you have the resources you need right now. Visit

[\[redacted\]](#) to gain immediate access to classes that address the financial impacts of coronavirus, live chat with experts, personal assessments and free coaching. Significant others are welcome to participate! For more information on SmartPath, visit the SmartPath Financial Coaching tab.

#### Personal Finance Latest News

Updates daily

[Should You Return to Work or Retire Early?](#)

6/23/2020 10:41 AM

#### Prudential Financial Wellness Program

#### SmartPath Financial Coaching

#### SmartPath COVID-19 Help Center

#### Purchasing Power

#### Following

Click the button to cancel all subscriptions to content on this page/space.  
[Manage subscriptions](#)

#### Prudential Financial Wellness Center portal:



Educate yourself: The Financial Wellness Center

The Financial Wellness Center portal contains engaging articles, short videos, and additional interactive tools that will help you achieve your financial wellness goals. And if you register online, you can personalize your experience to get info that's relevant to you, all year round.

Refer to these links for Prudential Pathways onsite/virtual live seminars and webinars:

- 1st Quarter 2020 onsite live events
- 2nd Quarter 2020 onsite or virtual live events
- 3rd Quarter 2020 onsite or virtual live events
- 2020 webinar schedule

Prudential Special Event Replays:

#### Search

#### Shortcut to Calendar Events

[Prudential&SmartPath events](#)  
[Vanguard events](#)

#### Calendar Events

SmartPath webinar - Hello, My Name is Debt  
Tuesday, July 21 12pm - 1pm ET

Credit cards, medical debt, tax debt, student loans, car note....the list goes on. So how

# Leidos Responds...

- ▶ **Emergency Savings**
  - We match both pre-tax and Roth employee contributions. We also permit employees to defer traditional after-tax contributions, which is not matched.
  - Through multiple channels both internally and through our partners, employees are educated about the ultimate cost to them about hardship withdrawals and loans and the benefits of budgeting, seeking advice and expert assistance.
  - In 2018, we launched a campaign geared towards saving for a rainy day. If employees aren't using their bank or credit union, then we suggest they put a little away into the after-tax deferral bucket that can be used in case of emergencies.
  - Today just under 5% of our employees are deferring into the after-tax bucket, holding an average balance of \$8,600, with only 137 participants taking a withdrawal from that source in 2 years.
  
- ▶ **Emergency Relief**
  - Through the Leidos Relief Foundation, grants can be provided with demonstrated financial need in times of hardship or emergency

# Leidos Responds...

- ▶ Recent Regulatory Relief
  - Leidos considered the various aspects of the CARES Act and ultimately concluded that the best thing we could do for employees was provide them with the means to access their accounts to address their needs. We adopted all of the CARES Act provisions.
  - We also adopted IRS Notice 20-23 that extended loan suspension without regard of being an affected individual as defined under the CARES Act
  - To date, while 186 participants have taken a CARES Relief Distribution, only 19 have had the need to take the full \$100,000 withdrawal and 17 participants have taken advantage of a loan over \$50,000.
  - 32 active participants and 19 former employees have elected loan suspension.

# What's Next...

















## Appendix

## Financial stress that won't go away? We have a cure for that.

Only SmartPath offers dedicated financial coaches that meet you where you are. Learn to think, feel and behave differently with money to improve your financial health.

SmartPath Financial Care Plans address all of life's major aches, including:

- |   |                         |   |                      |
|---|-------------------------|---|----------------------|
|    | Affording Kids' College |    | Financial Checkup    |
|    | Budgeting Basics        |    | Losing a Loved One   |
|   | Budgeting for Baby      |   | Money in Marriage    |
|  | Buying a House          |  | Optimizing Paychecks |
|  | Car Buying              |  | Retirement Readiness |
|  | Debt Payoff             |  | Student Loan Payoff  |

In addition to certified financial coaches providing 1:1 services, SmartPath also offers:

- Live and Onsite Sessions
- Over 30 courses on financial matters
- Allows for recording for future playback

To address COVID-19, SmartPath put together a comprehensive Help Center and have produced multiple webinars geared towards everything from investing to stress to coming up with your next move... all free to anyone who goes to their site:

<https://www.joinsmartpath.com/Coronavirus>



# Auto-Enrollment in Emergency Savings Accounts at the Workplace

SHAI AKABAS  
July 2, 2020



# Presentation Overview

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- Rationale
- Research & Evidence
- Policy Barriers & Legislation

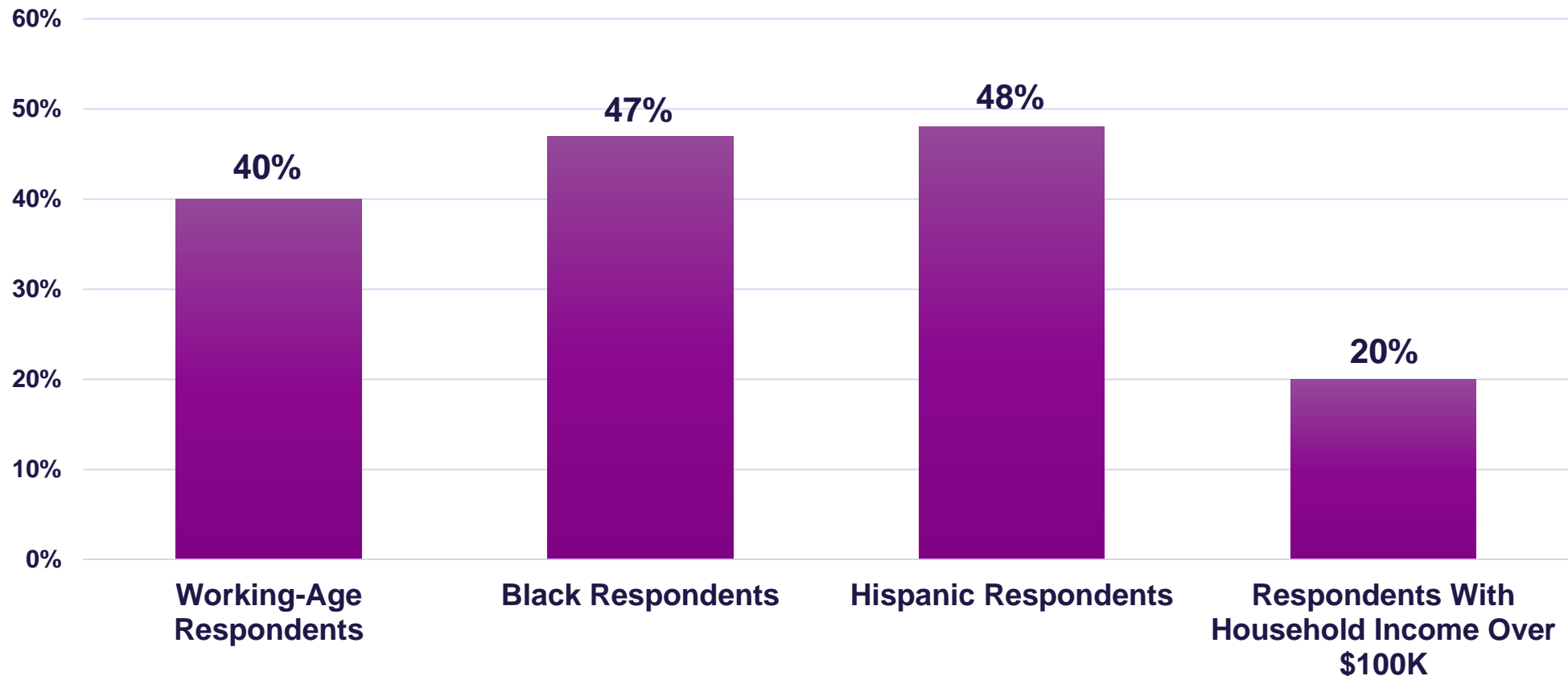


# Why Are These Accounts So Important?

- **Lack of savings among American households**
- Financial wellness for employees and businesses
- Leakage

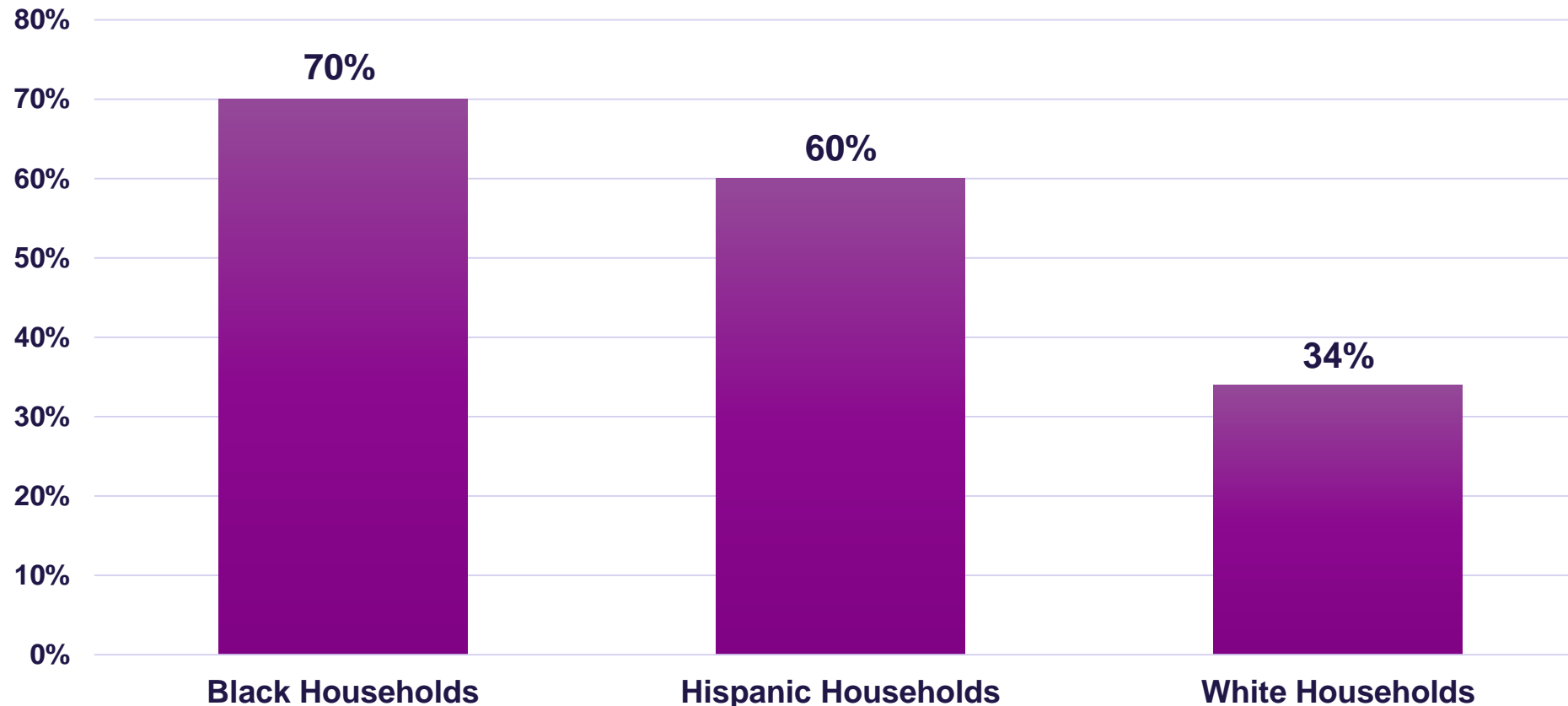
# Lack of Emergency Savings Is a Widespread Problem

## % of Respondents Saying They Lack Emergency Savings to Cover More Than a Month of Their Current Spending



# COVID-19 Has Put Spotlight on the Challenge & Racial Inequities

## % of Respondents Who Say They Have Dipped Into Emergency Savings Within the Past Few Months

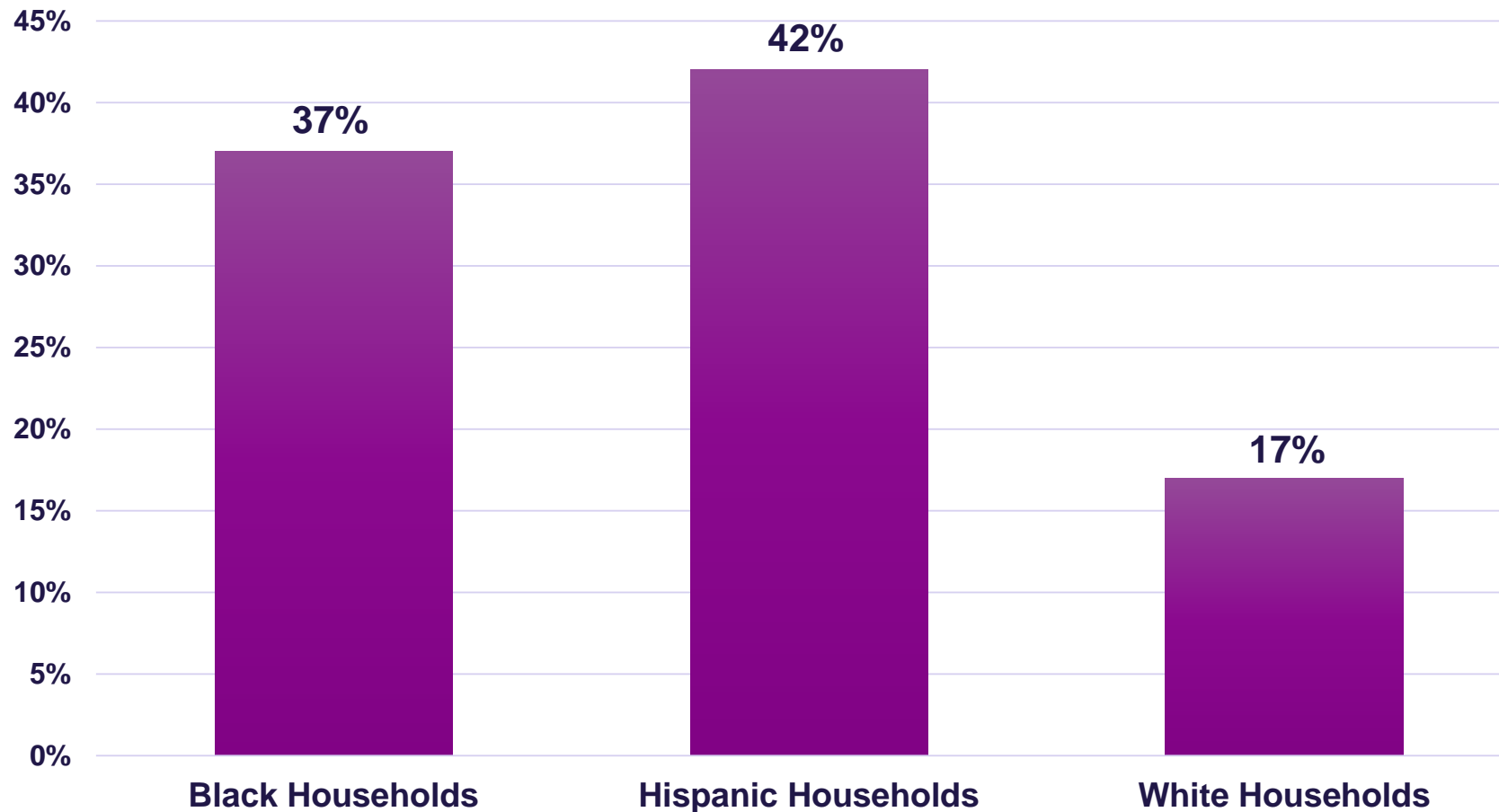


Note: Among those who say they had emergency savings pre-COVID-19.

Source: BPC-Morning Consult survey of likely voters, May 2020

# COVID-19 Has Put Spotlight on the Challenge & Racial Inequities

## % of Respondents Who Say They Have Missed a Payment Since the Start of the Crisis





# Why Are These Accounts So Important?

- Lack of savings among American households
- Financial wellness for employees and businesses
- Leakage



# Key Concepts

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- Automatic enrollment
- Mental accounting
- Holistic view

# Moving Forward

- Consumer evidence
- Bipartisan interest
- Different models



# Barriers to Automatic Enrollment

## Legislation

- Wage garnishment laws
- Know Your Customer regulations
- The Strengthening Financial Security Through Short-Term Savings Act of 2019

# Funding Our Future



## The key pillars that guide our work to strengthen American retirement security

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### Make saving easier for all ages



Americans need increased access to and participation in workplace retirement savings plans. Policymakers should remove barriers to retirement security, helping people accumulate and preserve assets during their working years.

### Transform nest eggs into a lifetime of income



Longer life expectancies and the erosion of traditional pensions have stretched savings. Americans need more straightforward ways to make their savings last and turn them into a lifetime of income. Americans cannot and should not be left to figure out this confusing system on their own.

### Save Social Security



We have known for decades that the Social Security system is on a trajectory for financial crisis, but for years on end policymakers have failed to address the problem. We need to save our Social Security system with reasonable reforms, for the sake of today's seniors and for generations to come.

# Funding Our Future: Partners

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**IDEAS. ACTION. RESULTS.**



# Q&A



# UPCOMING EBRI PROGRAMS

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Retirement Confidence Survey Findings: Financial Wellness & Debt Webinar – July 28

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