



# Retirement Confidence Survey Findings: Financial Wellness & The Impact of Debt

EBRI Webinar

July 28, 2020

# Speakers



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America**



Moderated by: **Chantel  
Sheaks, Executive  
Director, Retirement  
Policy Employment  
Policy Division, U.S.  
Chamber of Commerce**

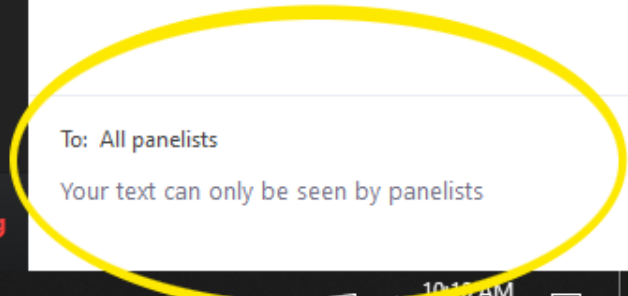
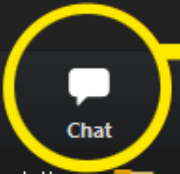
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# Retirement Confidence Survey (RCS)-Issues With Debt

EBRIefing

July 28, 2020

# 2020 RCS Overview

## •30th Annual Retirement Confidence Survey (RCS)

The RCS is the longest-running survey of its kind, measuring worker and retiree confidence about retirement, and is conducted by the Employee Benefit Research Institute (EBRI) and independent research firm Greenwald & Associates.

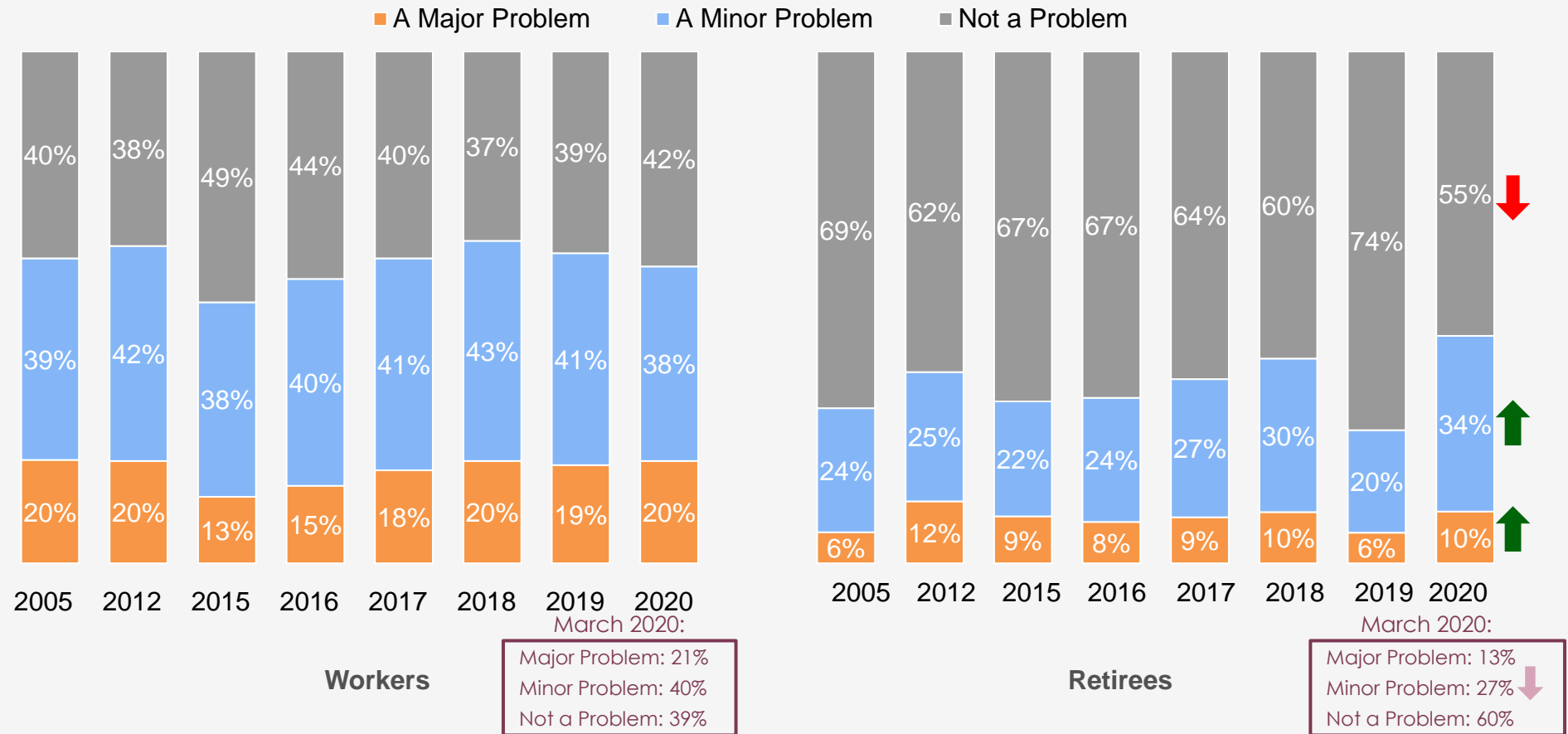
- The 2020 survey of 2,042 Americans was conducted online January 6 through January 21, 2020. All respondents were ages 25 or older. The survey included 1,018 workers and 1,024 retirees.
- Data were weighted by age, gender, education, household income and race. Unweighted sample sizes are noted on charts to provide information for margin of error estimates. The margin of error would be  $\pm 3.13$  percentage points for both workers and retirees in a similarly sized random sample.
- Please note percentages in the following tables and charts may not total to 100 due to rounding and/or missing categories. Any trend changes or differences in subgroups noted in text are statistically significant; if no trend changes are noted, there were no significant differences.
- This slide is discussing the RCS overview and methodology of January's survey only.

### 2020 RCS Partners

Capital Group  
Columbia Threadneedle  
Invesco  
J.P. Morgan  
LGIMA  
(Legal & General Investment  
Management America)  
Lincoln Financial  
Mercer  
MetLife  
Nationwide Financial  
PIMCO  
Principal Financial Group  
T. Rowe Price  
Segal

# Percentage of Workers and Retirees With a Debt Problem

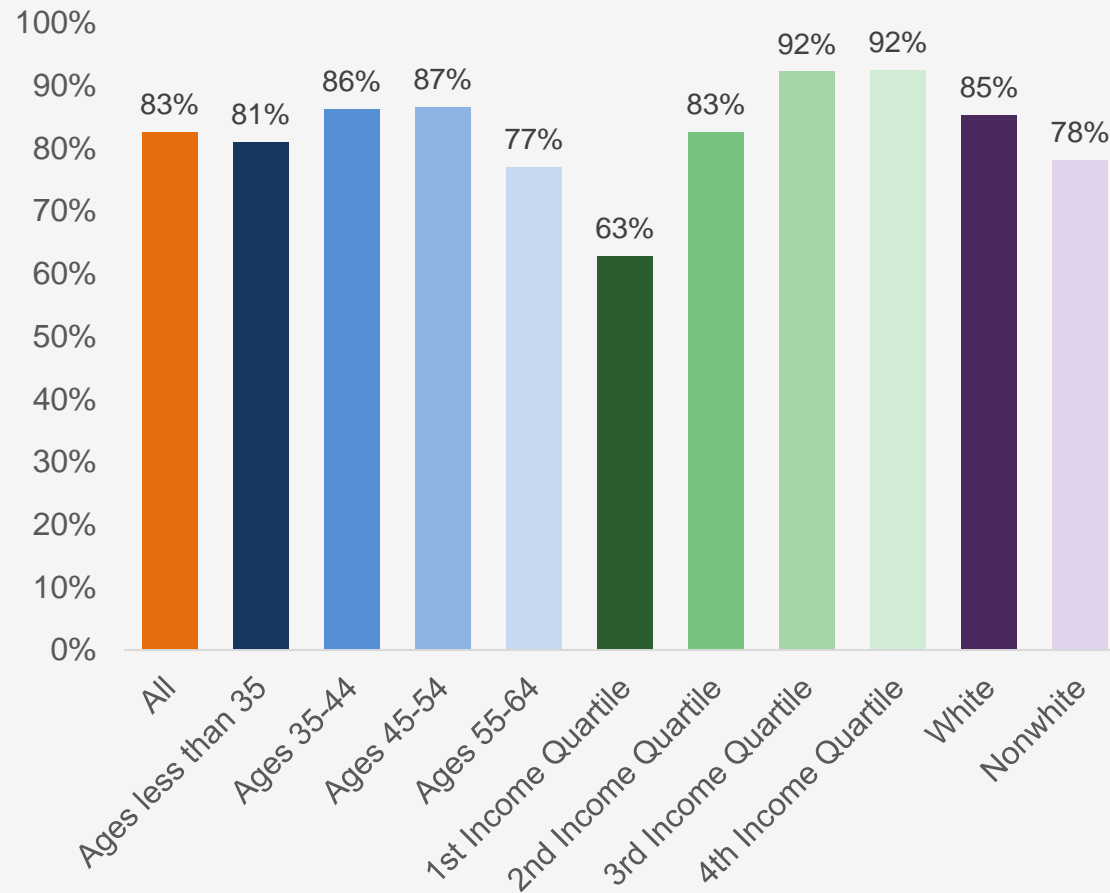
Thinking about your current financial situation, how would you describe your level of debt?  
 2020 Workers n=1,018, 2020 Retirees n=1,024



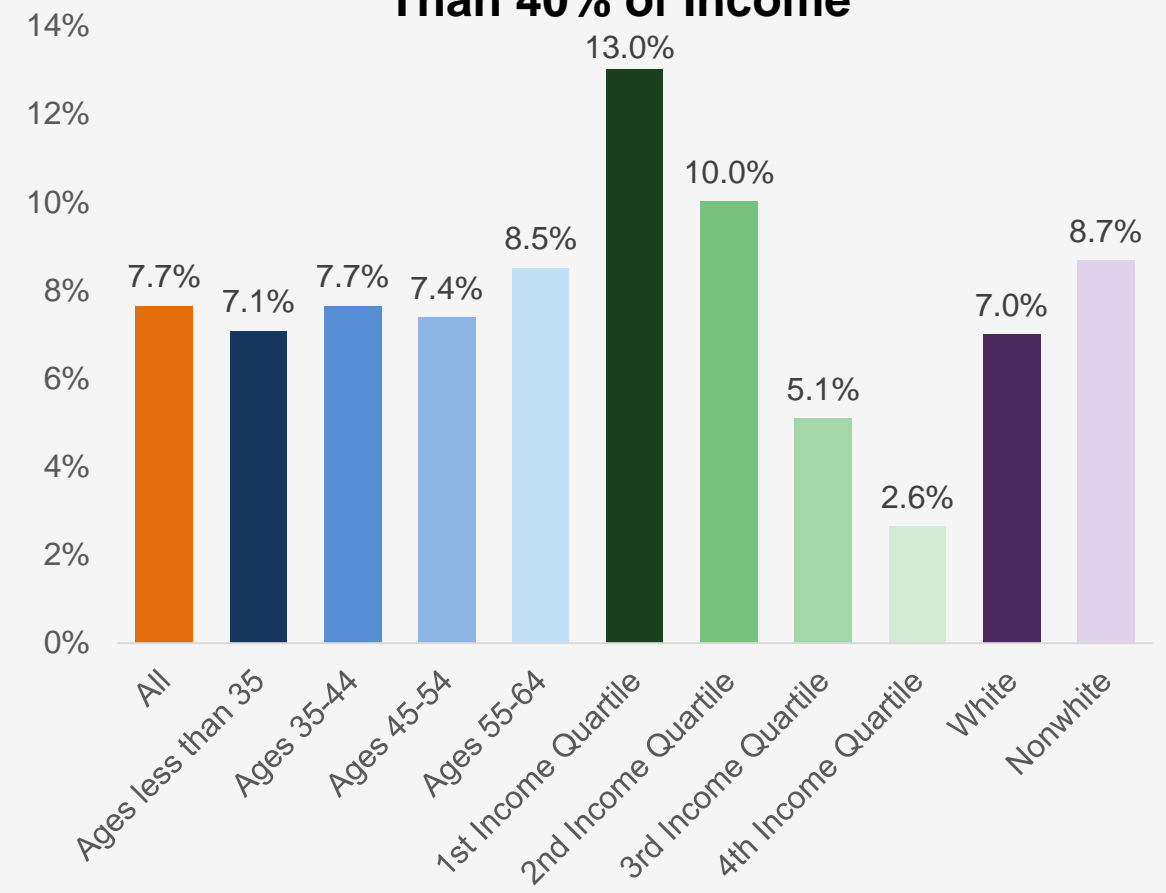
↑ = Up significantly from previous year     ↓ = Down significantly from previous year  
↑ = Up significantly from January 2020     ↓ = Down significantly from January 2020

# Percentage of Families With Debt and Debt Payments Greater Than 40% of Income, by Family Head Characteristics for Those Younger Than Age 65

## Percentage With Debt

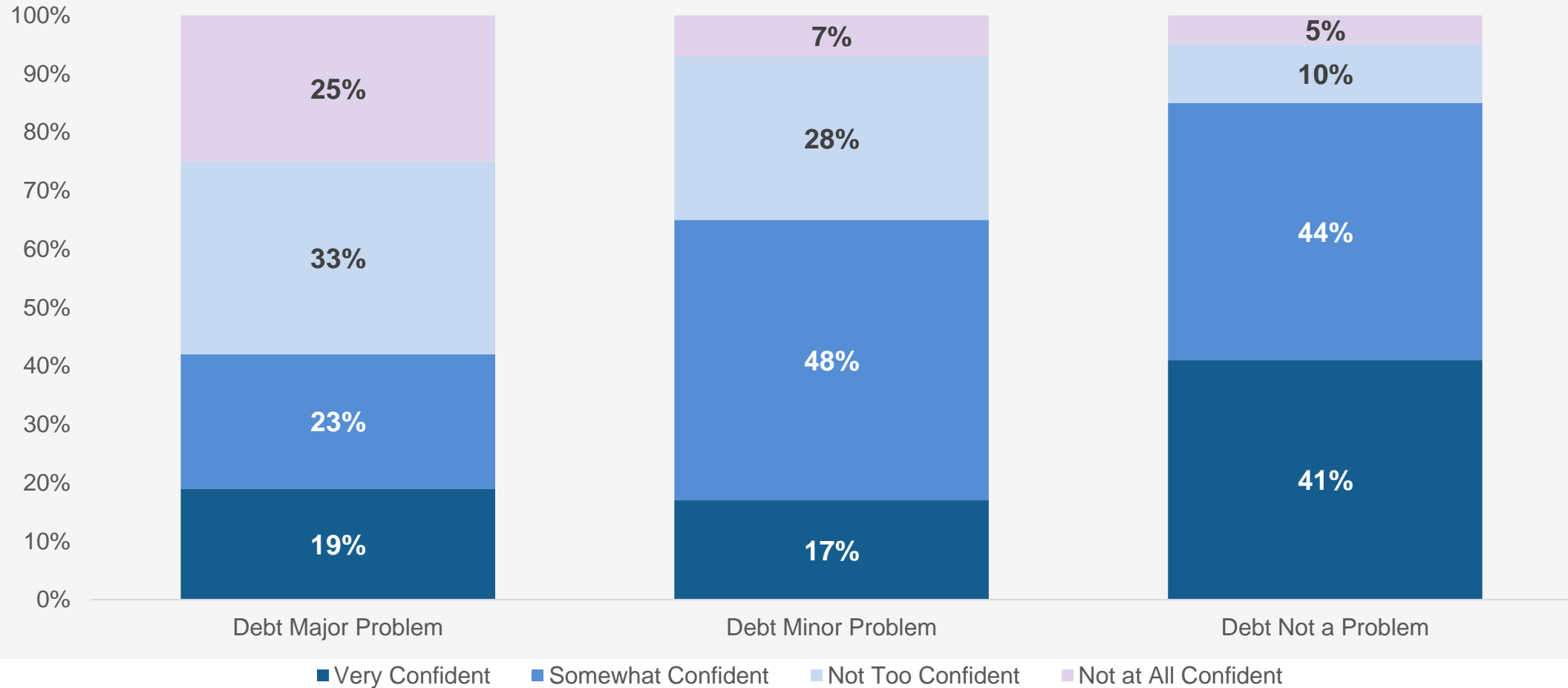


## Percentage With Debt Payments Greater Than 40% of Income



# Worker Confidence in Financial Security in Retirement, by Debt

Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years? (Workers n=1,018)





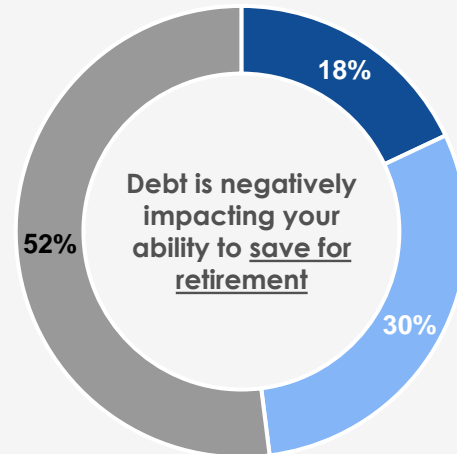
# 1 in 4 retirees say debt has impacted their ability to live comfortably in retirement. Half of workers say debt has negatively impacted their ability to save for retirement.

•To what extent do you agree or disagree with the following statements?

•Workers n=1,018, Retirees n=1,024

■ Strongly Agree ■ Somewhat Agree ■ Disagree

Workers



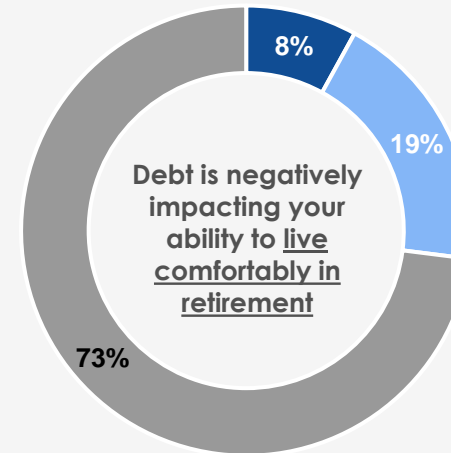
**48% Agree**

March 2020:

Strongly Agree: 18%

Net Agree: 47%

Retirees



**↑ 27% Agree**

(vs. 19% in 2019)

March 2020:

Strongly Agree: 11%

Net Agree: 29%

↑ = Up significantly from previous year

↓ = Down significantly from previous year

↑ = Up significantly from January 2020

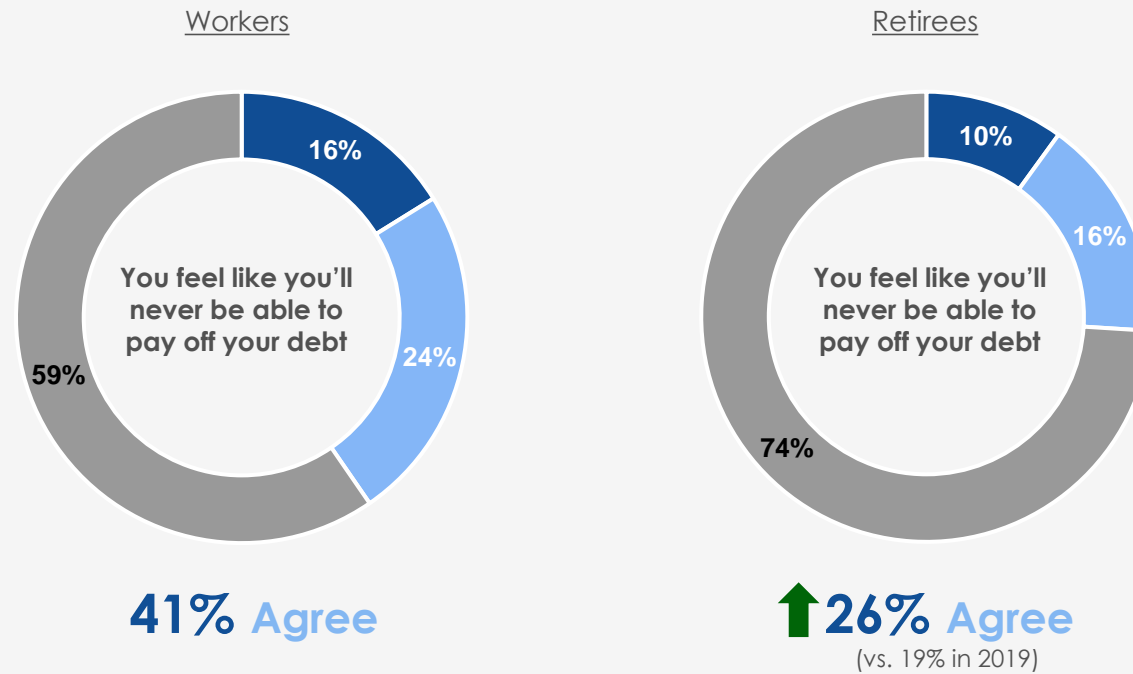
↓ = Down significantly from January 2020

# One-quarter of all retirees also feel they will never be able to pay off their debt. Still, workers continue to be more likely than retirees to feel this way.

•To what extent do you agree or disagree with the following statements?

•Workers n=1,018, Retirees n=1,024

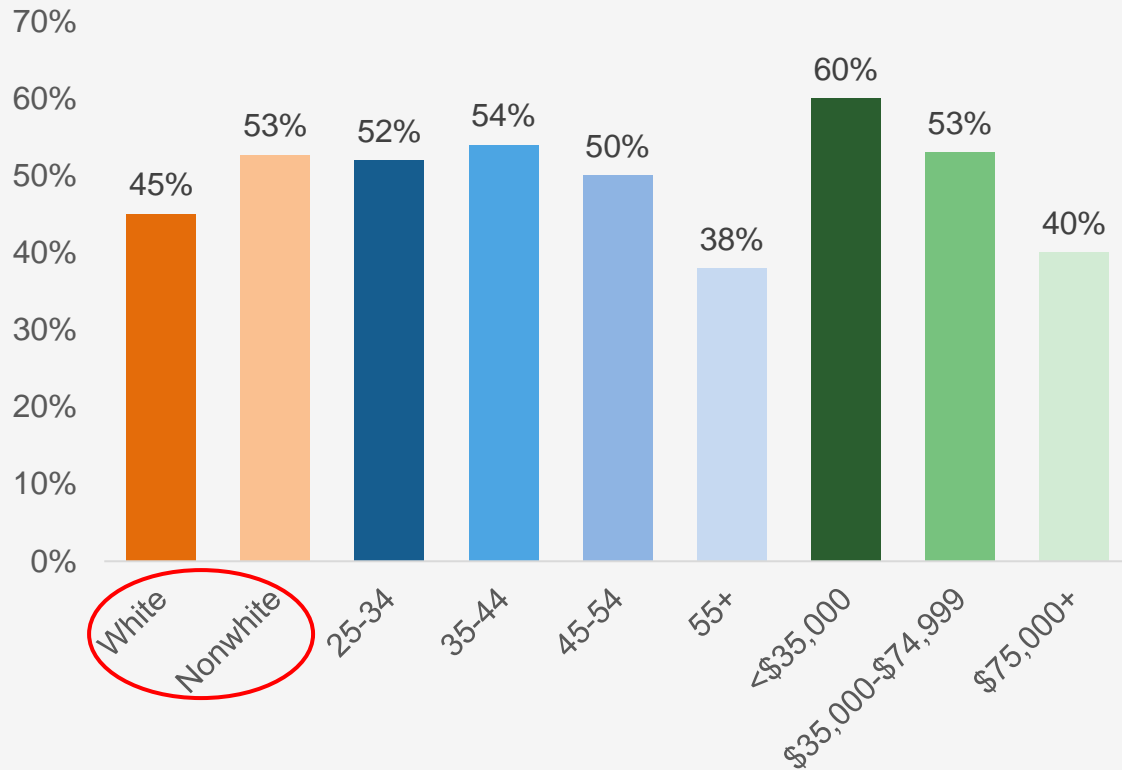
■ Strongly Agree    ■ Somewhat Agree    ■ Disagree



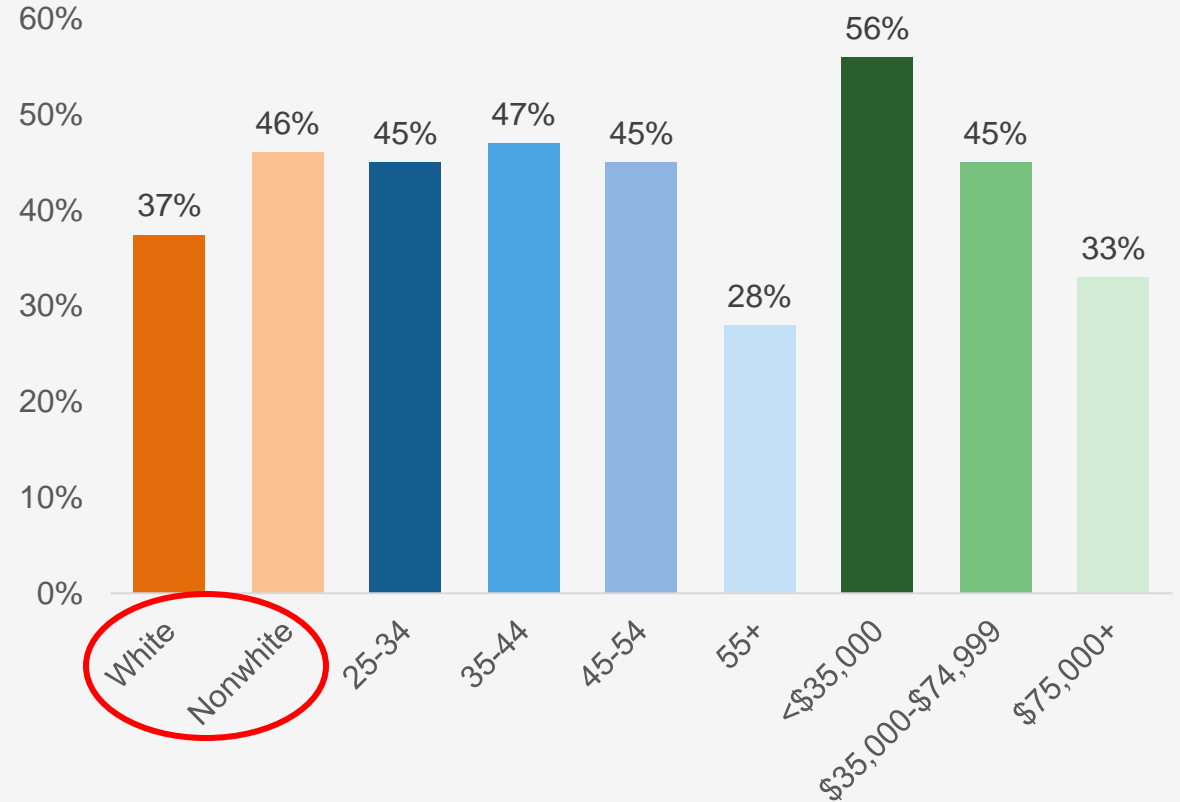
↑ = Up significantly from previous year    ↓ = Down significantly from previous year

# Percentage of Workers Who Either Strongly or Somewhat Agree With the Statements Below in Regard to Debt, by Worker Characteristics

**Debt is negatively impacting your ability to save for retirement.**

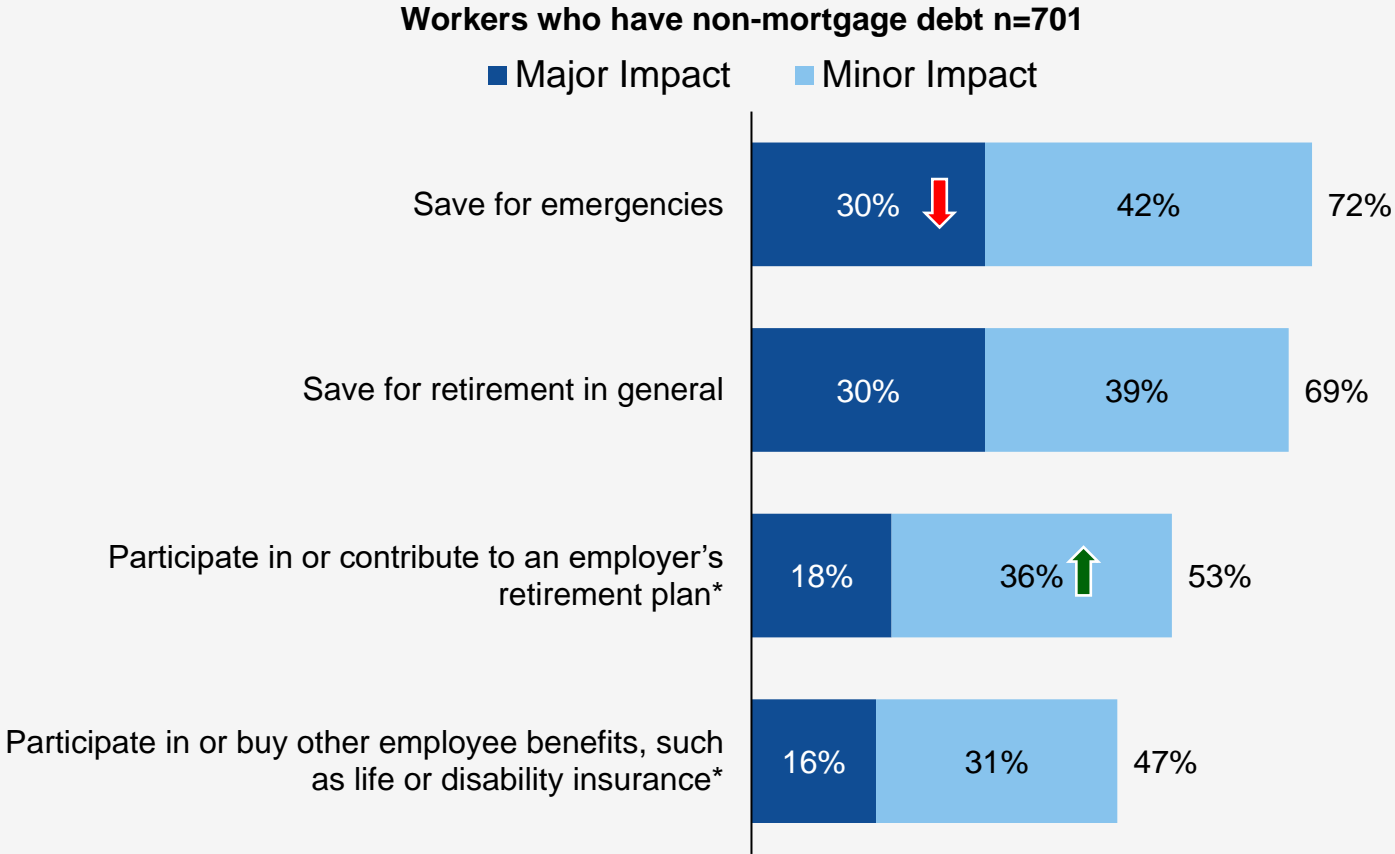


**You feel like you'll never be able to pay off your debt.**



# About 7 in 10 workers with debt say it has negatively impacted their ability to save for retirement in general and half say their ability to contribute to their employer's retirement plan has been impacted.

•To what extent is your non-mortgage debt having a negative impact on your ability to do the following?



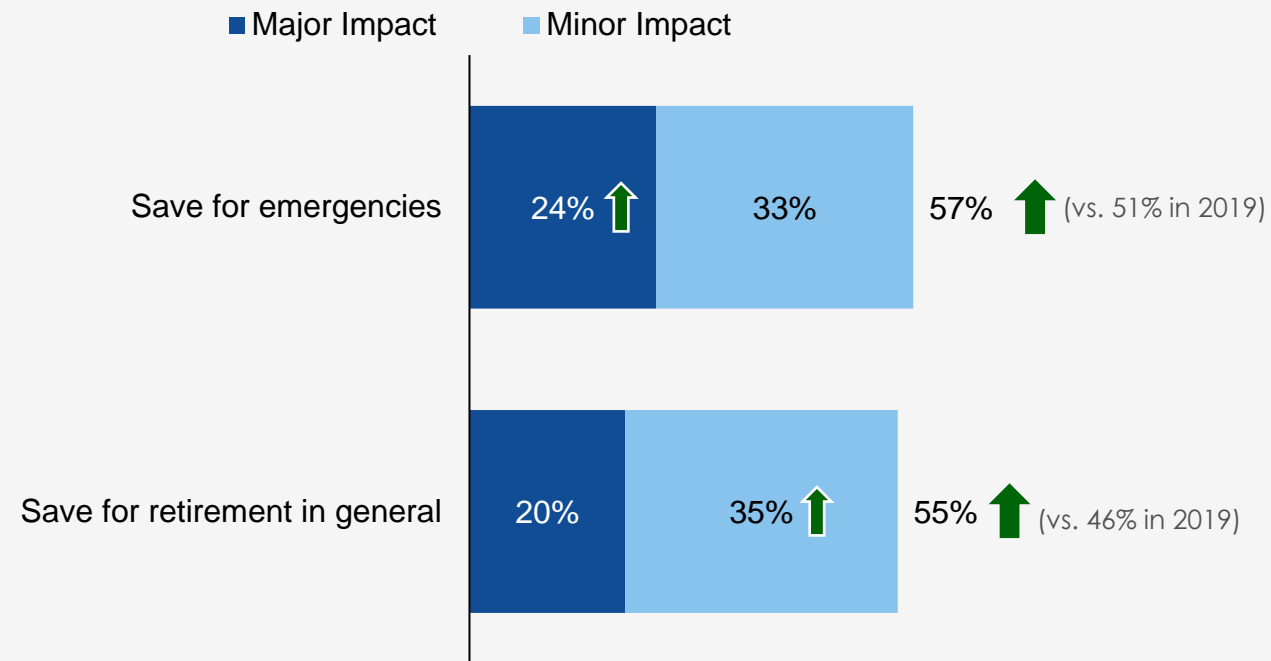
\*Only asked of workers

↑ = Up significantly from previous year    ↓ = Down significantly from previous year

# Compared with 2019, retirees with non-mortgage debt are more likely to say debt has impacted their ability to save for retirement.

•To what extent is your non-mortgage debt having a negative impact on your ability to do the following?

•Retirees who have non-mortgage debt n=598

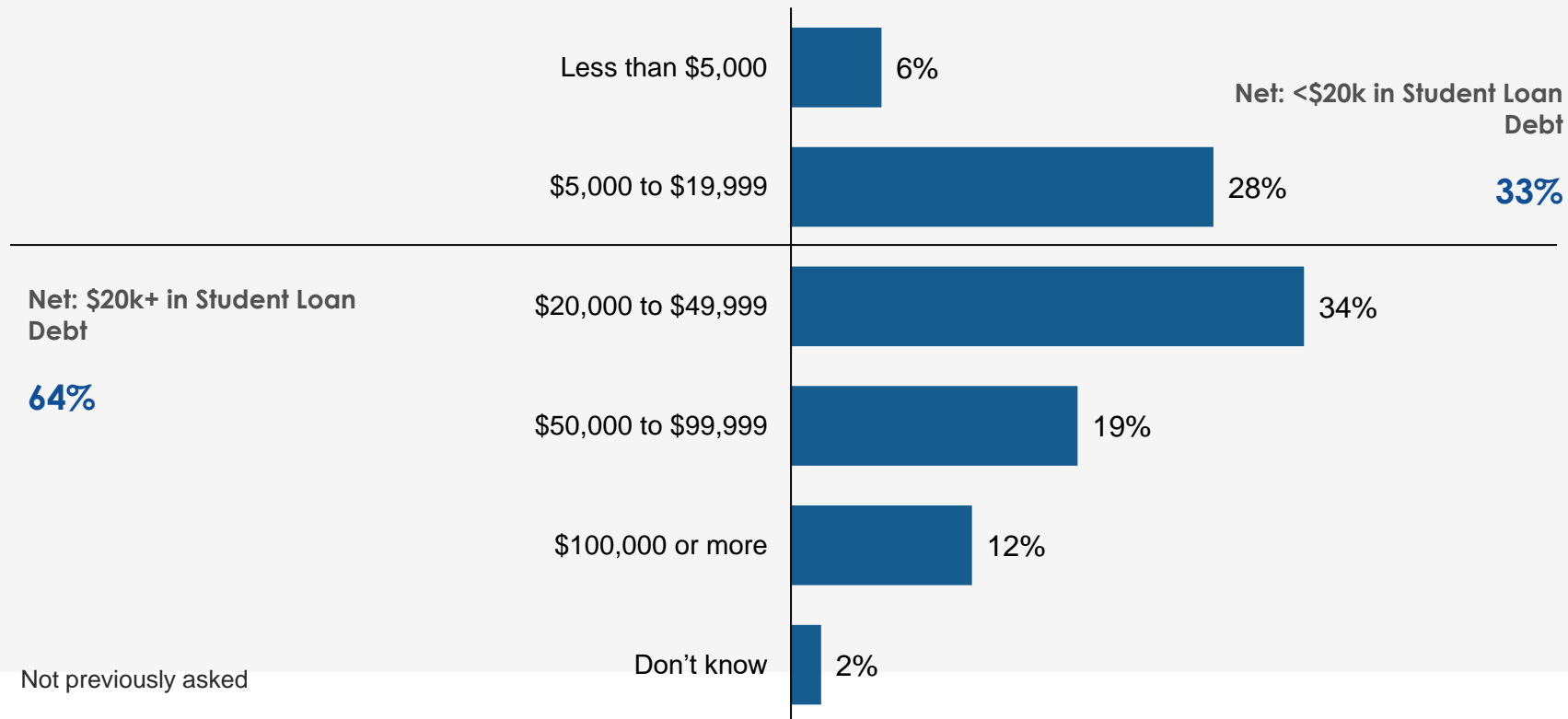


↑ = Up significantly from previous year    ↓ = Down significantly from previous year

# Among those with current student loan debt, 2 in 3 have a debt balance of \$20,000 or more.

•About how much do you estimate your (and your spouse's) current student loan debt balance to be? Please include all student loan debt you may have, including any for children or grandchildren.

•Workers with student loan debt for self or child n=224



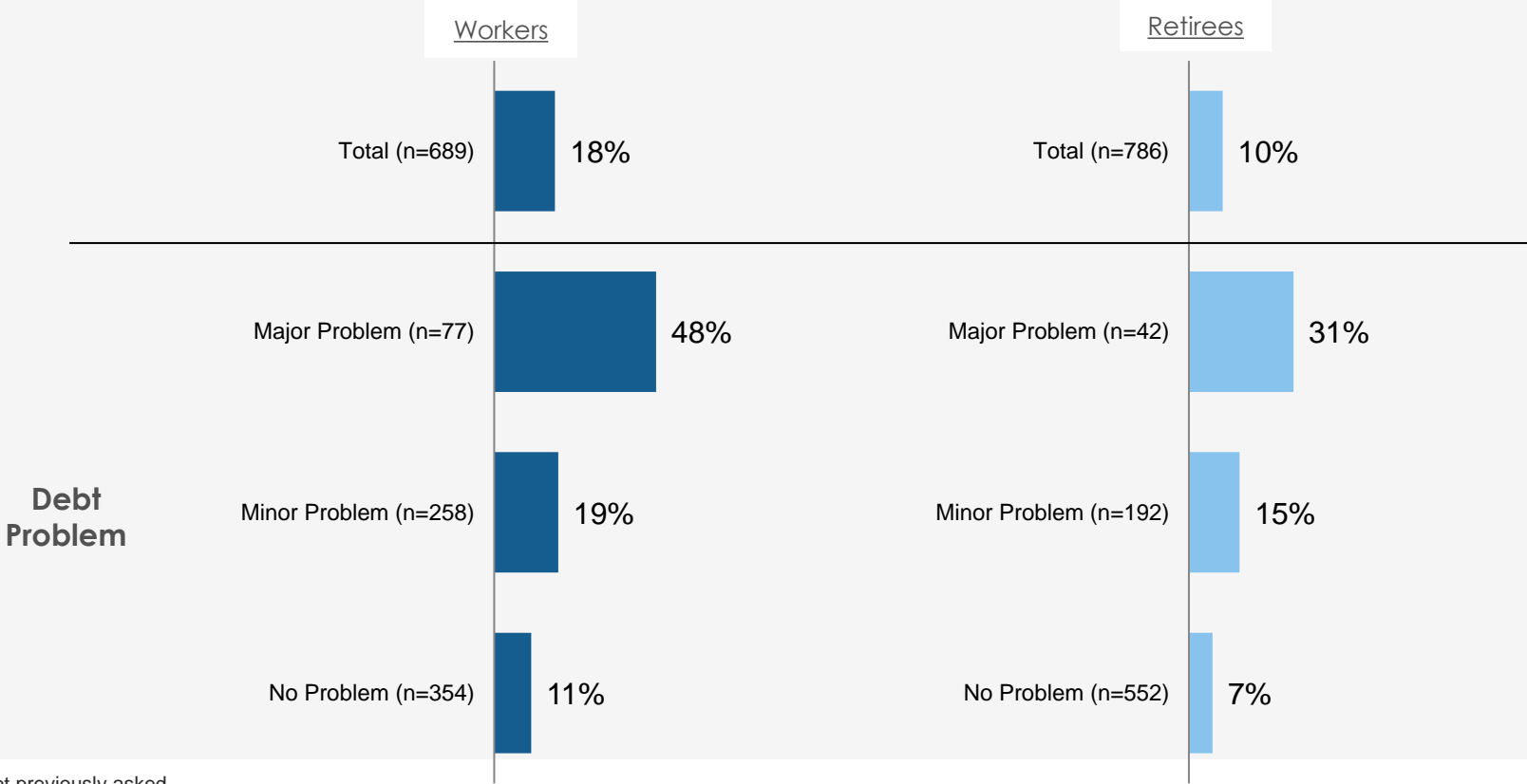
Not previously asked

# Those with a debt problem are more likely than those without to have taken a loan from a retirement savings plan.

Have you ever taken a loan from a workplace retirement savings plan?

Those who saved for retirement

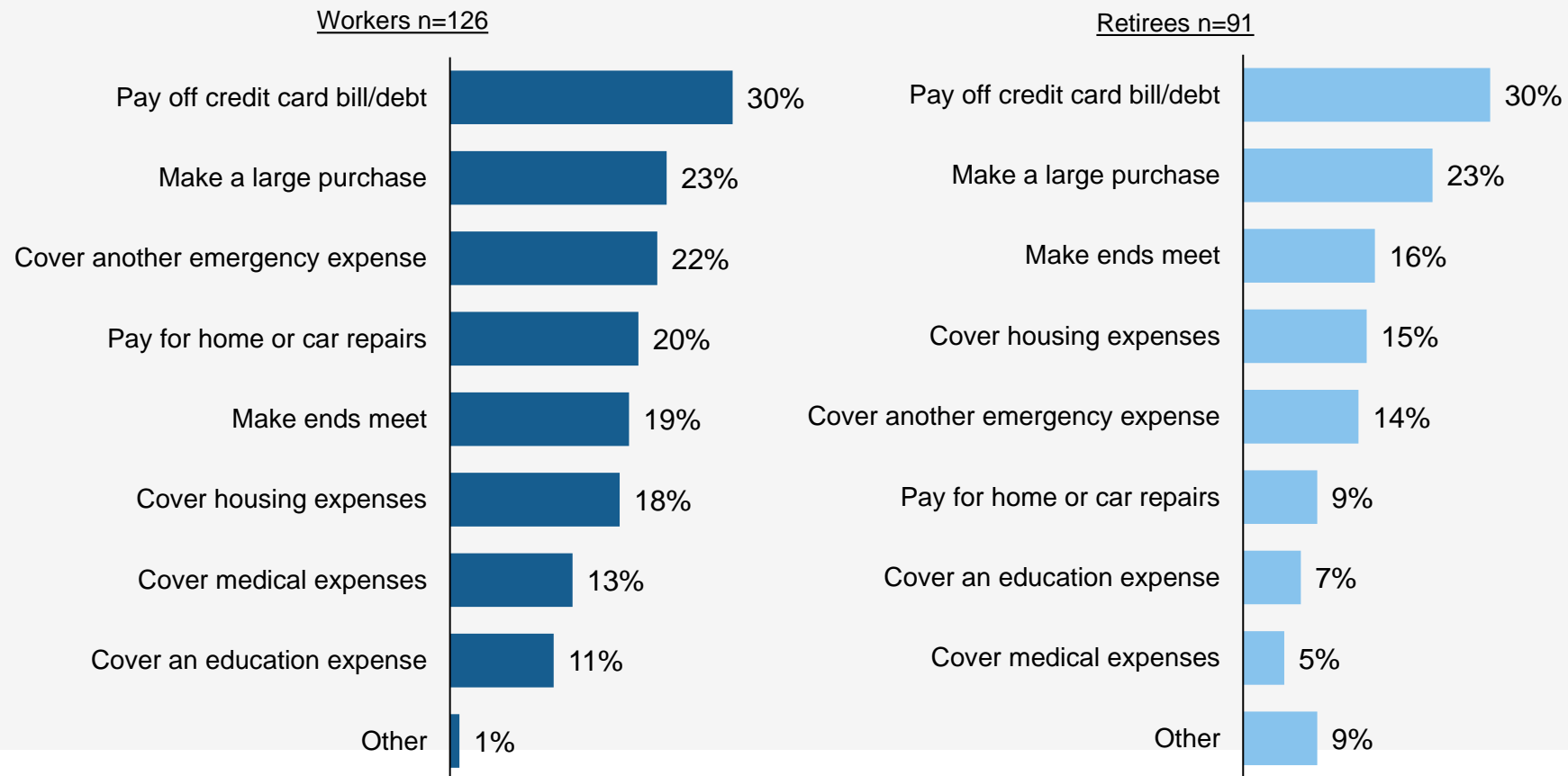
% Yes



Not previously asked

# Workers and retirees who took a loan from their plan used their loans to pay down credit cards, make a large purchase, or make ends meet.

Which of the following are reasons you took a loan from your retirement savings plan?



Not previously asked



# Conclusions

- Debt is widely held by Americans and is an issue for many workers.
- Many workers say debt affects their ability to save for retirement, while many also say they feel they will never be able to pay off their debt.
- Many retirees also say that debt is preventing them from living comfortably in retirement.
- Workers with debt problems are more likely to take a loan from their retirement savings plan.
- Lower income people are more likely to have an issue with the level of their debt payments.
- This was all before the onset of the COVID-19 pandemic, where many workers and retirees were already facing financial difficulties. The pandemic is only going to worsen these issues, particularly for those with lower incomes as they are those most likely to have lost jobs and to not be financially prepared.
- Financial wellness programs address many of these issues and will likely receive a great deal of interest going forward to help repair many workers' finances.



# Retirement Confidence Survey and Financial Wellbeing

Neil Lloyd

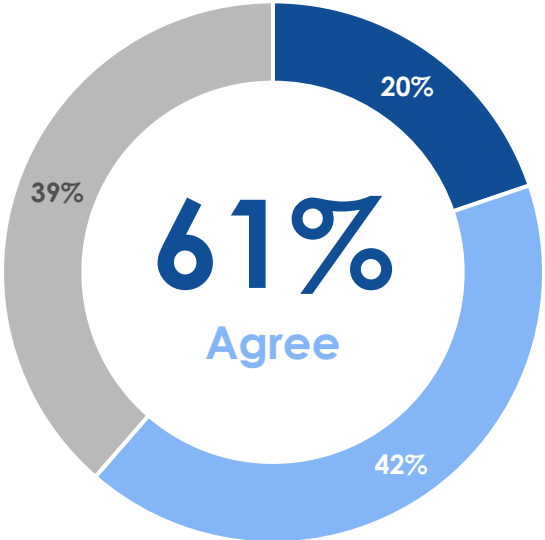
# Three in five workers agree that preparing for retirement makes them feel stressed.

To what extent do you agree or disagree with the following statement?

Workers n=1,018

■ Strongly Agree ■ Somewhat Agree ■ Disagree

**Preparing for retirement makes you feel stressed**



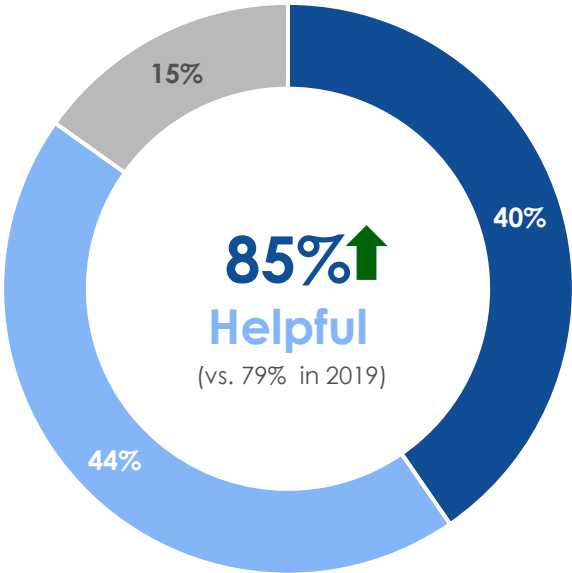
# More than eight in ten workers would find a workplace program that helps employees figure out how much to save for retirement helpful.

How helpful, if at all, do you think the following workplace educational or financial well-being programs would be in helping you better prepare or save for retirement?

Workers employed full- or part-time n=736

## Help calculating how much you need to save for a secure retirement

■ Very Helpful    ■ Somewhat Helpful    ■ Not Helpful



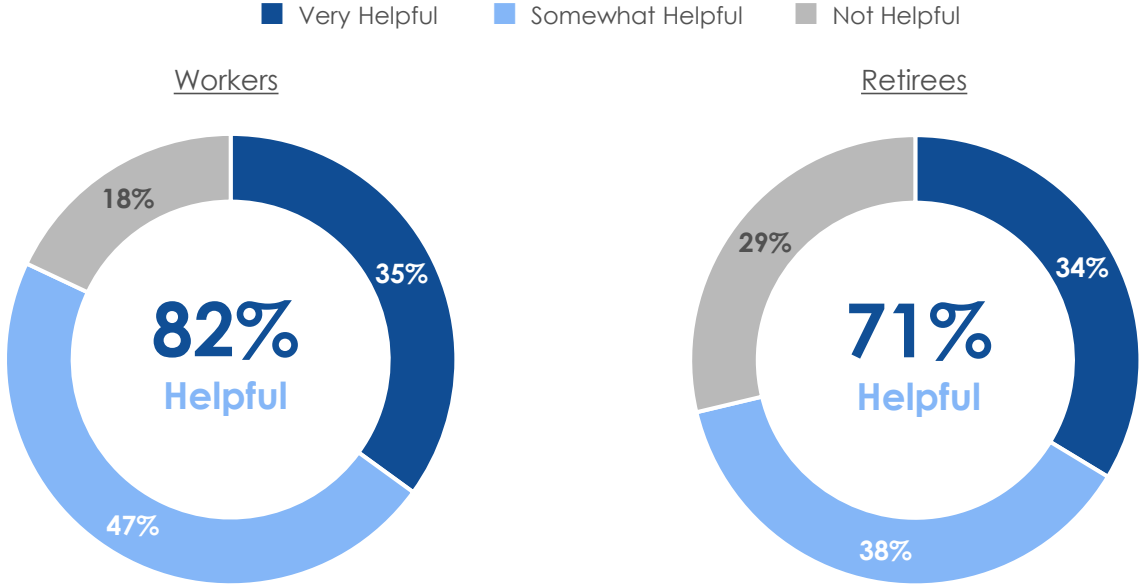
↑ = Up significantly from previous year    ↓ = Down significantly from previous year

# 8 in 10 workers and 7 in 10 retirees say it would be helpful if their employer offered education or advice on converting savings into income in retirement.

How helpful, if at all, do you think the following workplace educational or financial well-being programs would be in helping you better prepare or save for retirement?

Workers employed full- or part-time n=736, Retirees employed full- or part-time n=72

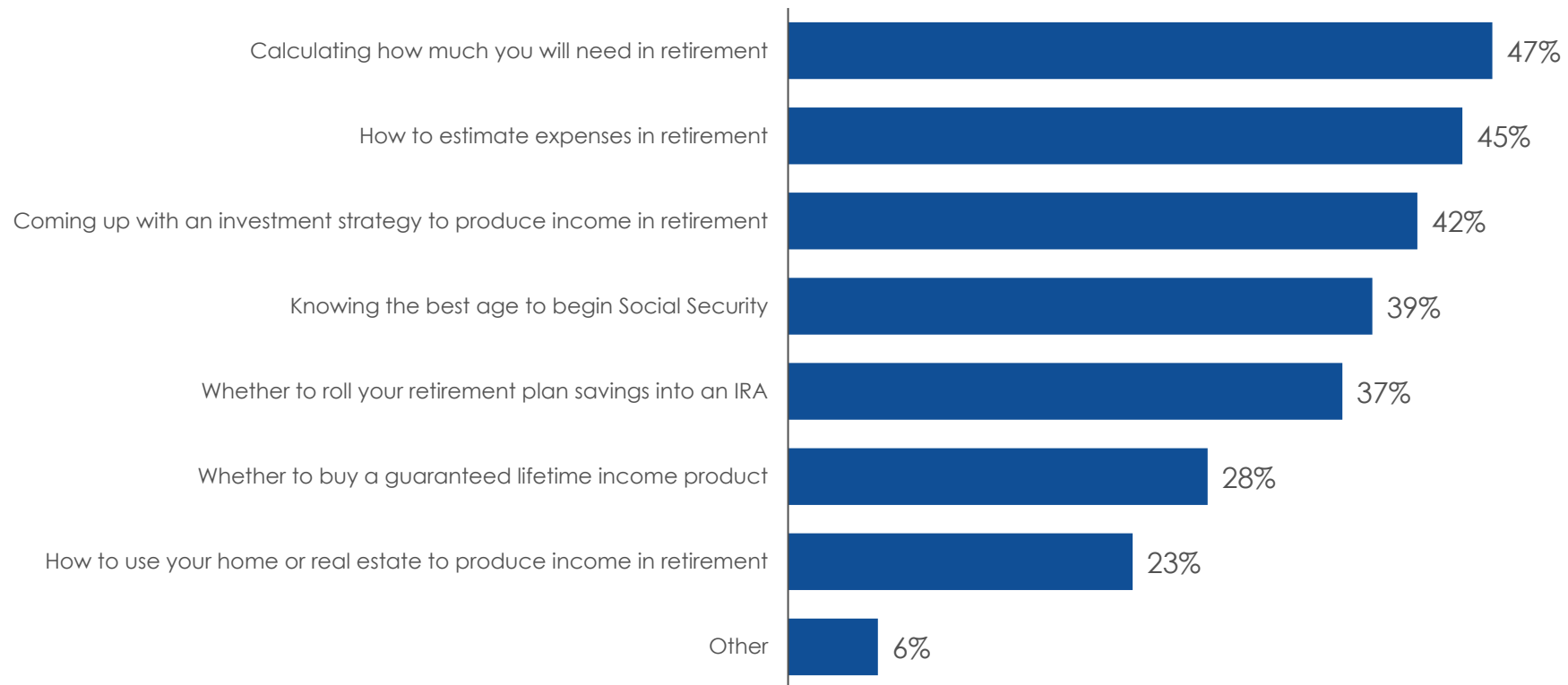
## Education or advice on how to convert savings into income in retirement



# Of those interested, more than 4 in 10 would like help calculating how much is needed in retirement, estimating expenses, and developing a strategy for producing income in retirement.

When it comes to workplace education on how to convert savings into income in retirement, which of the following would you be most interested in?

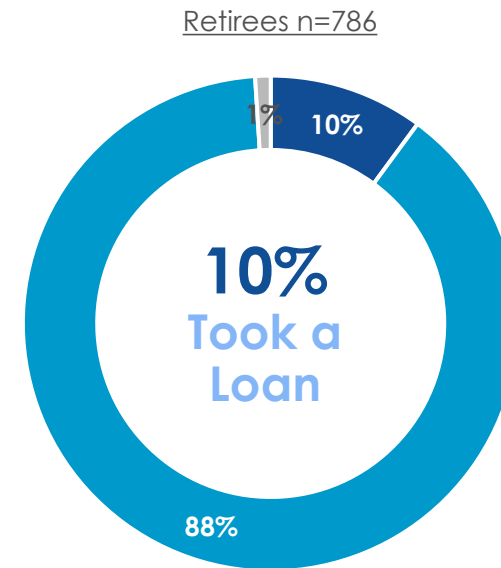
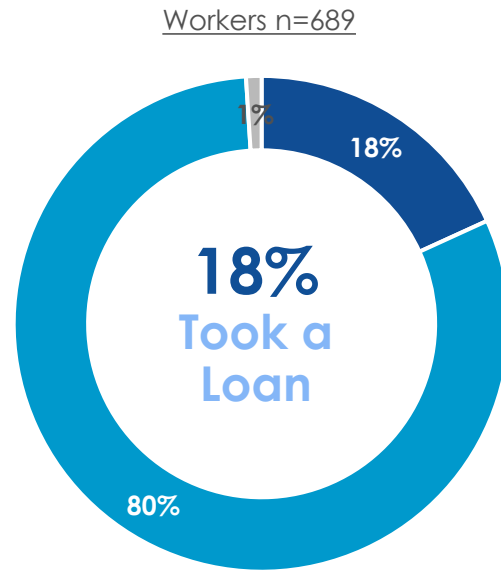
Workers who would find workplace assistance with converting savings into assets helpful n=609



# Few have taken a loan from a workplace retirement plan, though workers are more likely than retirees to have done so.

Have you ever taken a loan from a workplace retirement savings plan?  
Those who saved for retirement

■ Yes   ■ No   ■ Don't know



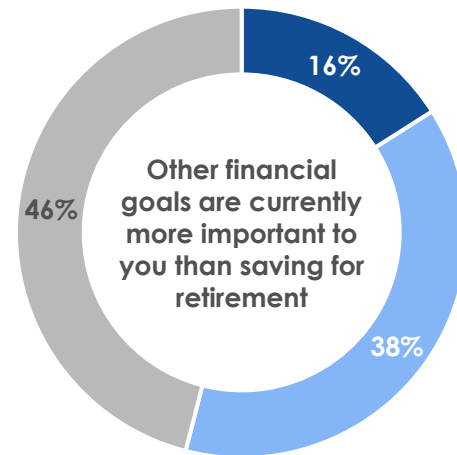
# Over half of workers and a quarter of retirees indicate that there are competing financial goals that take priority or prevent them from saving for retirement.

To what extent do you agree or disagree with the following statements?

Workers n=1,018 Retirees n=1,024

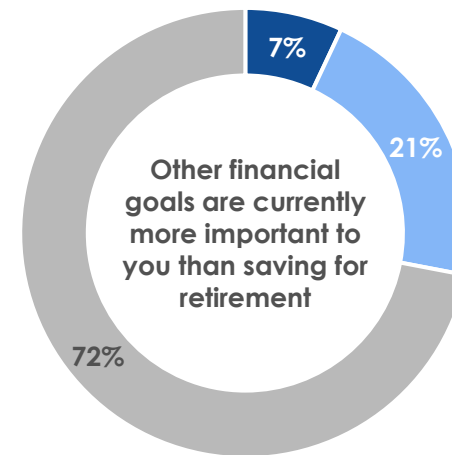
■ Strongly Agree ■ Somewhat Agree ■ Disagree

Workers



**54% Agree**

Retirees

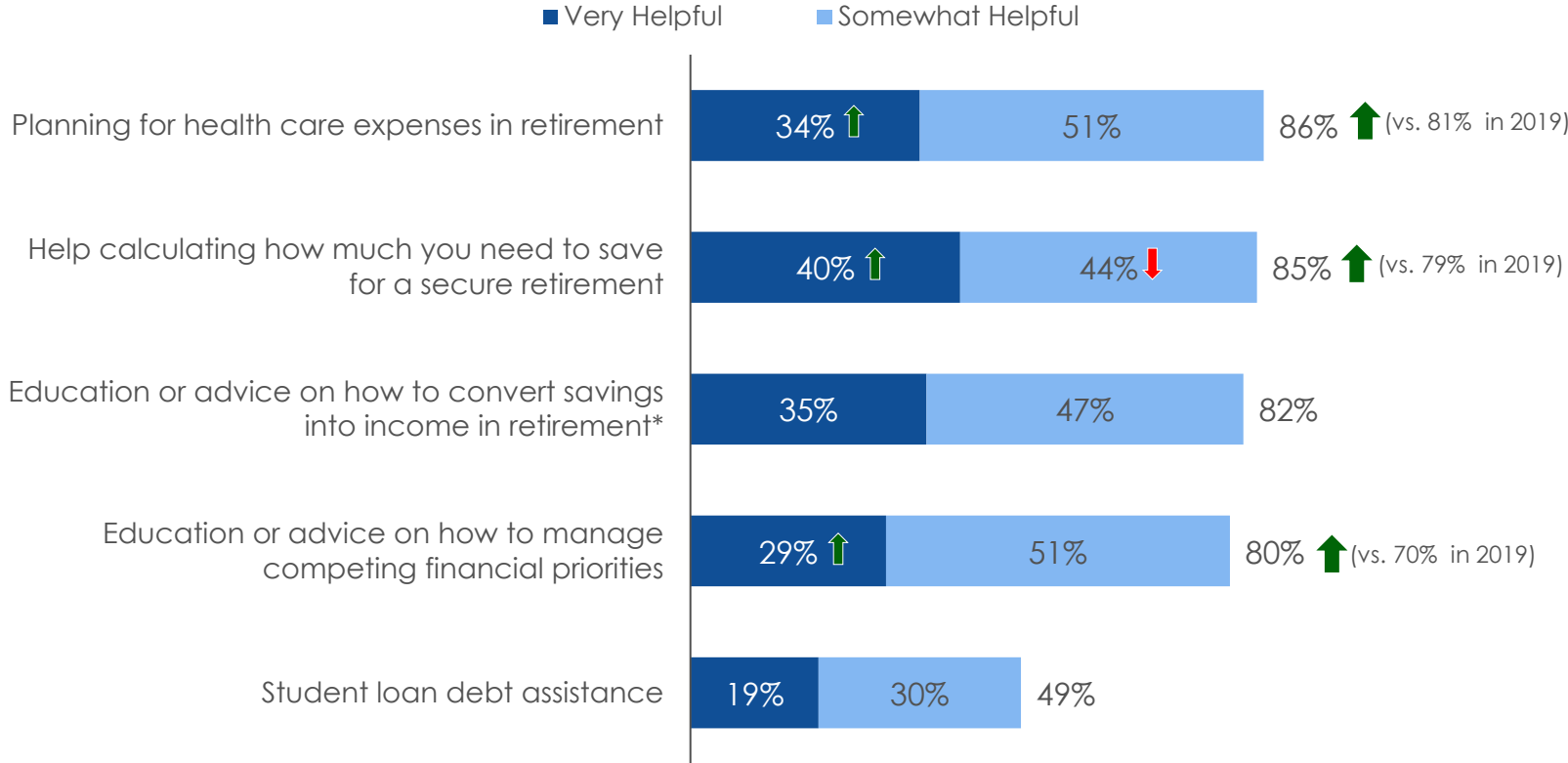


**28% Agree**



# 8 in 10 workers would like education on how to manage competing financial priorities. An even greater share want help with retirement savings targets and planning for healthcare in retirement.

How helpful, if at all, do you think the following workplace educational or financial well-being programs would be in helping you better prepare or save for retirement?  
Workers employed full- or part-time n=736

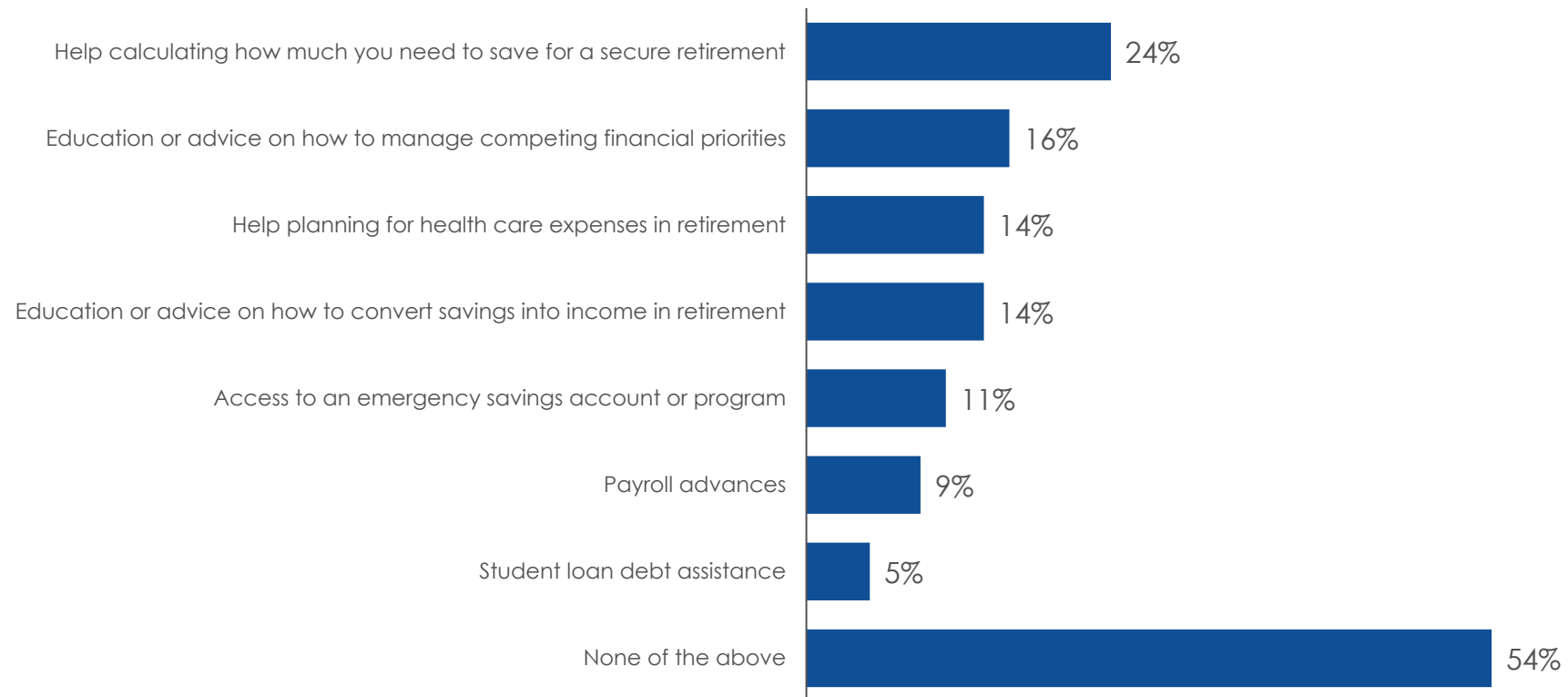


\*Not previously asked

↑ = Up significantly from previous year    ↓ = Down significantly from previous year

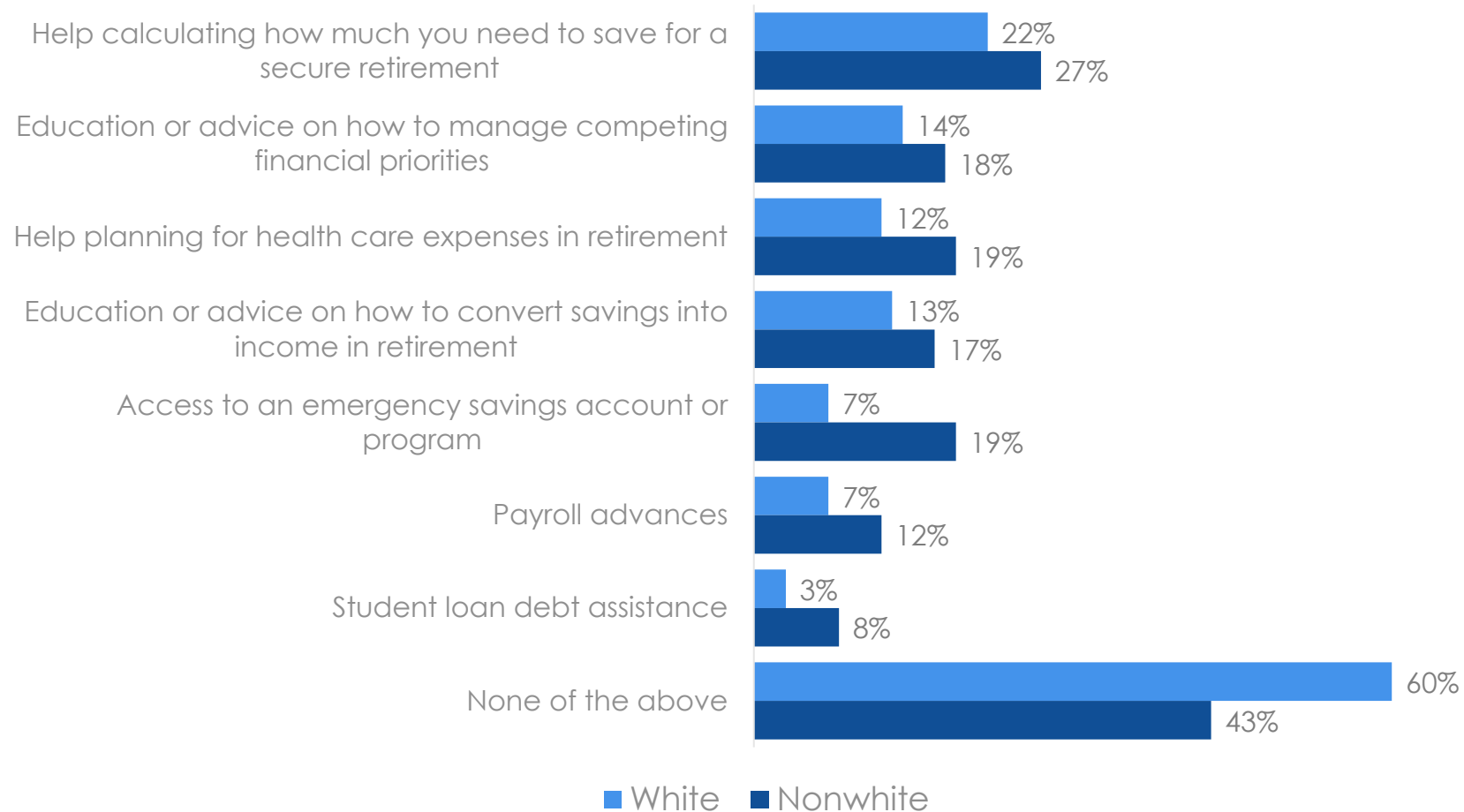
Currently, only 16% of workers report being offered help with competing financial priorities. A quarter receive help calculating how much to save for retirement, while just 1 in 10 have access to an emergency savings vehicle.

Are you offered any of the following financial well-being programs through your employer?  
Workers employed full- or part-time n=736



# Nonwhite workers were more likely than white workers to say they were offered financial well-being programs.

Are you offered any of the following financial well-being programs through your employer?  
Workers employed full- or part-time n=736

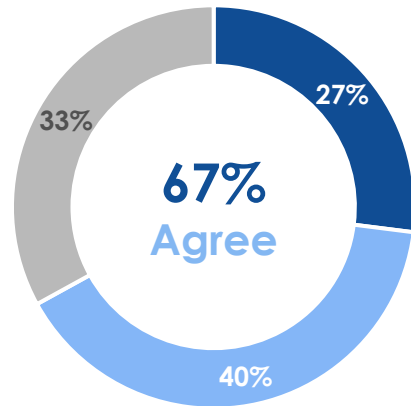


# While 2 in 3 workers believe they have enough emergency savings, 3 in 4 would also find it helpful if their workplace offered access to an emergency savings account or program.

To what extent do you agree or disagree with the following statements?  
Workers n=1,018

■ Strongly Agree ■ Somewhat Agree ■ Disagree

**You feel you have enough savings to handle an emergency or sudden large expense**



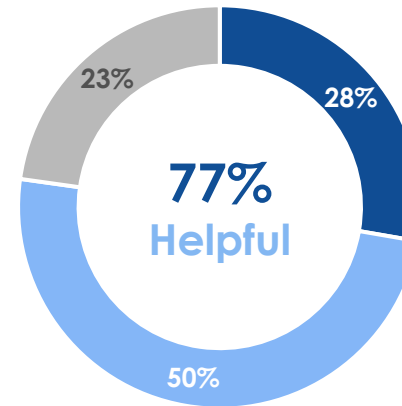
March 2020:

Strongly Agree: 28%  
Net Agree: 68%

How helpful, if at all, do you think the following workplace educational or financial well-being programs would be in helping you better prepare or save for retirement?  
Workers employed full- or part-time n=736

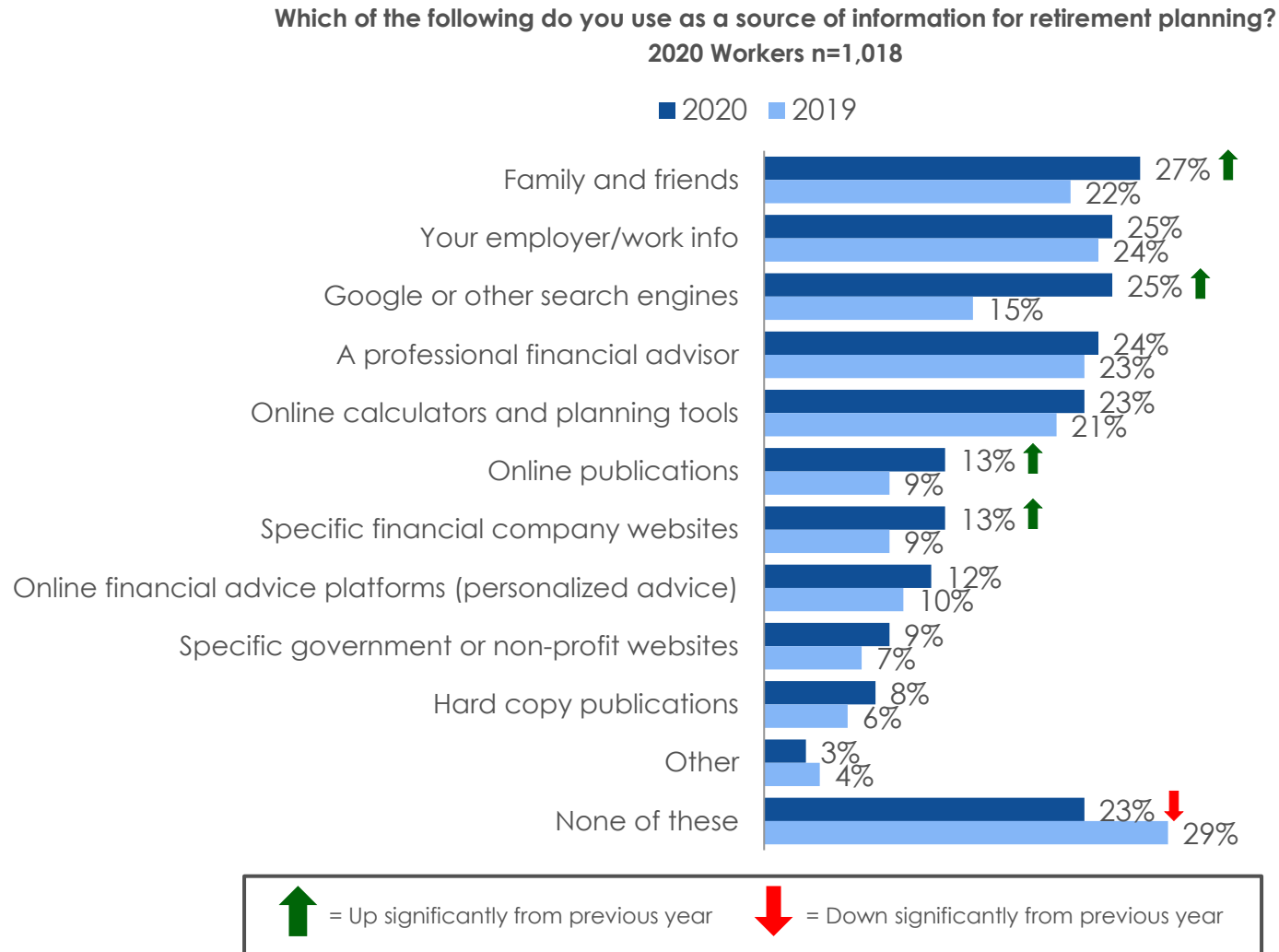
■ Very Helpful ■ Somewhat Helpful ■ Not Helpful

**Access to an emergency savings account or program**



↑ = Up significantly from previous year     ↓ = Down significantly from previous year  
↑ = Up significantly from January 2020     ↓ = Down significantly from January 2020

# Up from 2019, 27% workers rely on family and friends for retirement planning advice. One-quarter rely on their employer.



# The Importance of Financial Wellness Programs beyond Retirement

Lisa Margeson  
Managing Director  
Retirement & Personal Wealth Solutions

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Workplace Benefits Reports:

**2013:**

Boston Research Group interviewed a national sample of 1,000 employers from July 2013 through August 2013 on behalf of Bank of America Merrill Lynch. To have qualified for the survey, employers must have offered their employees a 401(k) plan.

**2018:**

Boston Research Technologies interviewed a national sample of 657 employees who participate in 401(k) plans from December 15, 2017 through December 27, 2017 and 667 employers who offer both a 401(k) plan and a program designed to help improve financial wellness from December 15, 2017 to January 3, 2018. To qualify for the survey, employees had to be current participants of a 401(k) plan and employers had to offer a 401(k) plan option. Neither was required to work with Bank of America Merrill Lynch. Bank of America Merrill Lynch was not identified as the sponsor of the study.

**2019:**

Escalent conducted an online survey with a national sample of 996 employees 804 employers who responded between February 1, 2019 and February 26, 2019. To qualify for the survey, employees had to be current participants in a 401(k) plan and employers had to currently offer a 401(k) plan; the plans did not have to be provided by Bank of America.

Bank of America was not identified as the sponsor of the study.

**2020:**

Escalent Market Research surveyed a national sample of 996 employees who are working full time and participate in 401(k) plans, and 804 employers who offer both a 401(k) plan and have sole or shared responsibility for decisions made in the plan. The survey was conducted between February 27, 2020 and March 27, 2020. Respondents were not required to work with Bank of America, nor was Bank of America identified as the sponsor of the study.

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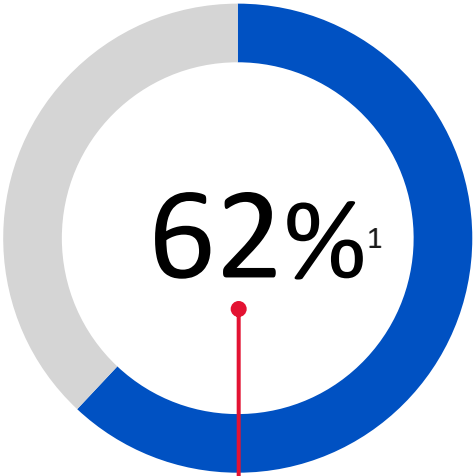
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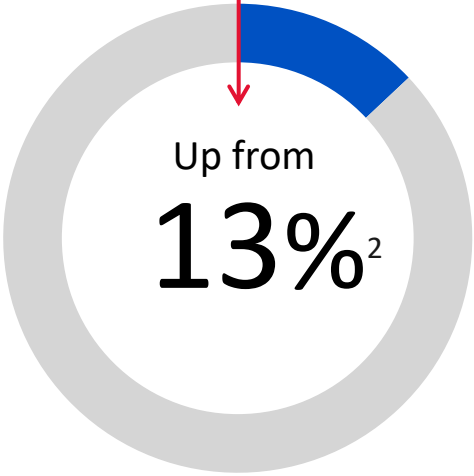
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# The responsibility employers feel to support their employees' financial lives beyond retirement savings has increased dramatically

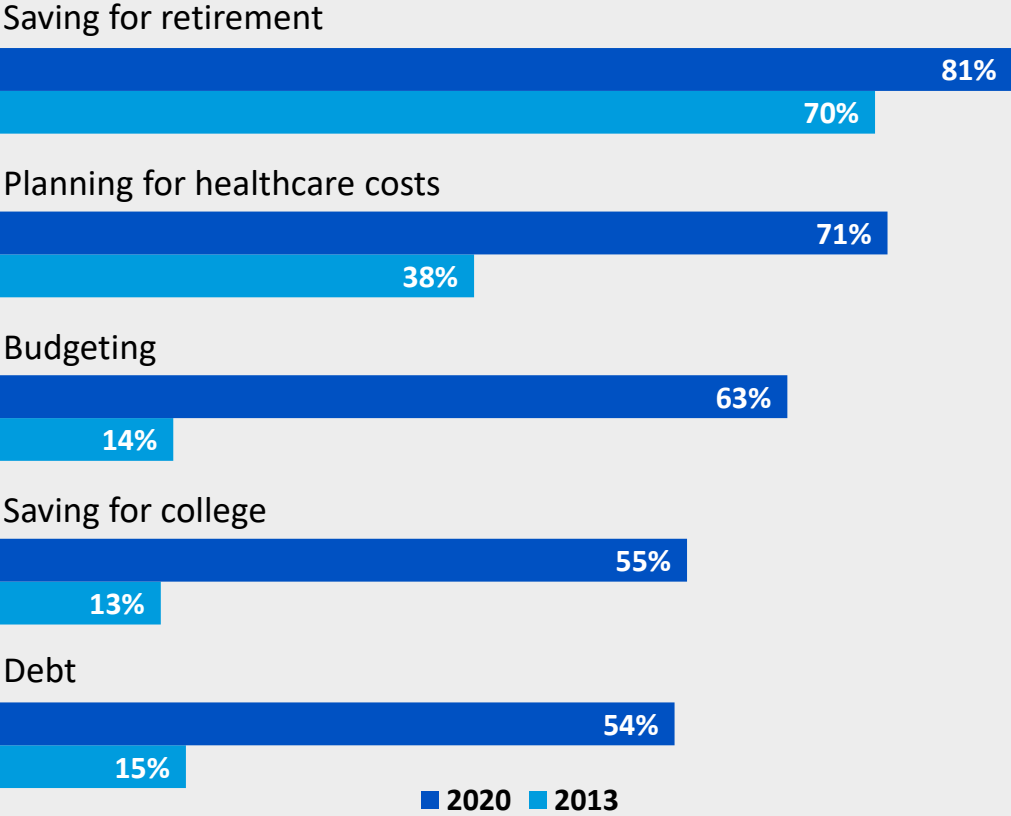



of employers feel extreme responsibility for their employees' financial wellness



of employers reporting extreme responsibility in 2013

### Sponsor offerings — Education and Guidance

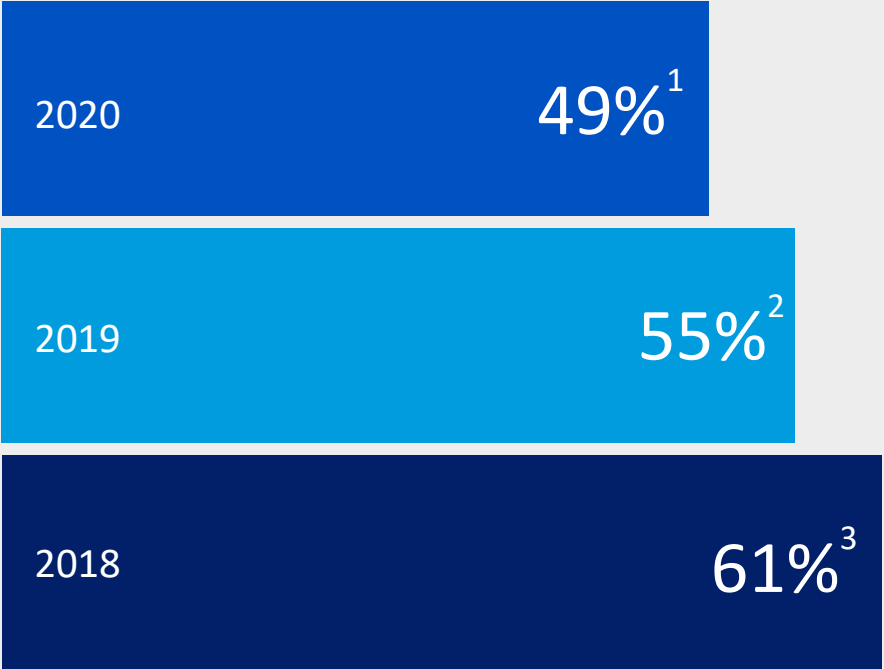


 <sup>1</sup> 2020 Bank of America Workplace Benefits Findings Report, Planned to be released September 2020  
<sup>2</sup> 2013 Workplace Benefits Report, December, 2013

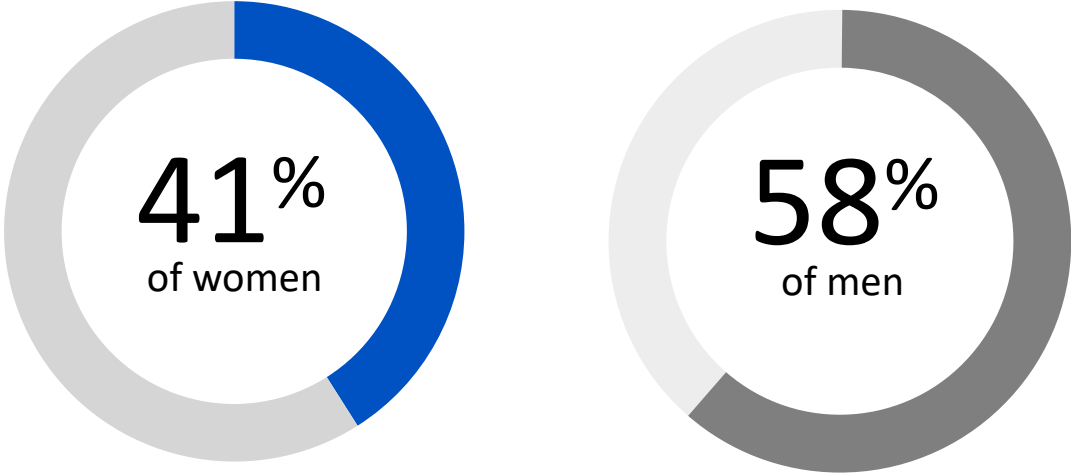


# Employees' feelings of financial wellness have shown a recent decline, with women trailing men

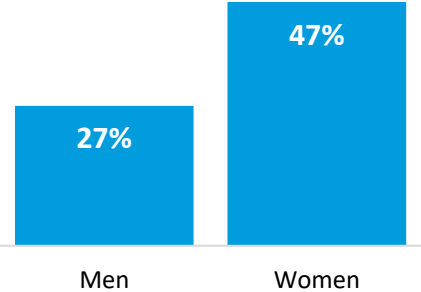
Employees who rated their financial wellness as good or excellent has been declining.



2020  
Women continue to trail men in the feeling of financial wellness



Women are nearly **2X** as likely to cite not having spare money after monthly expenses as their main challenge.



<sup>1</sup> 2020 Bank of America Workplace Benefits Findings Report, Planned to be released September 2020  
<sup>2</sup> 2019 Workplace Place Benefits Report, September, 2019  
<sup>3</sup> 2018 Workplace Benefits Report, July, 2018

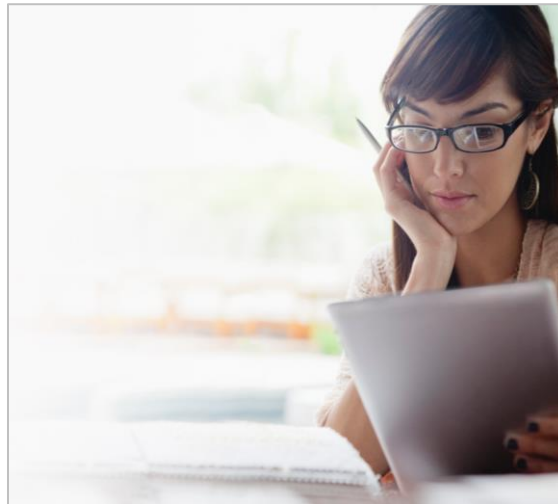
# We recognize that women's financial journeys are different than men's, influenced by longer lives and responsibilities outside the workforce

On average, women live **5 years longer** than men<sup>1</sup>

**2/3** of cumulative student debt is carried by women<sup>2</sup>

**66%** of caregivers are women<sup>1</sup>

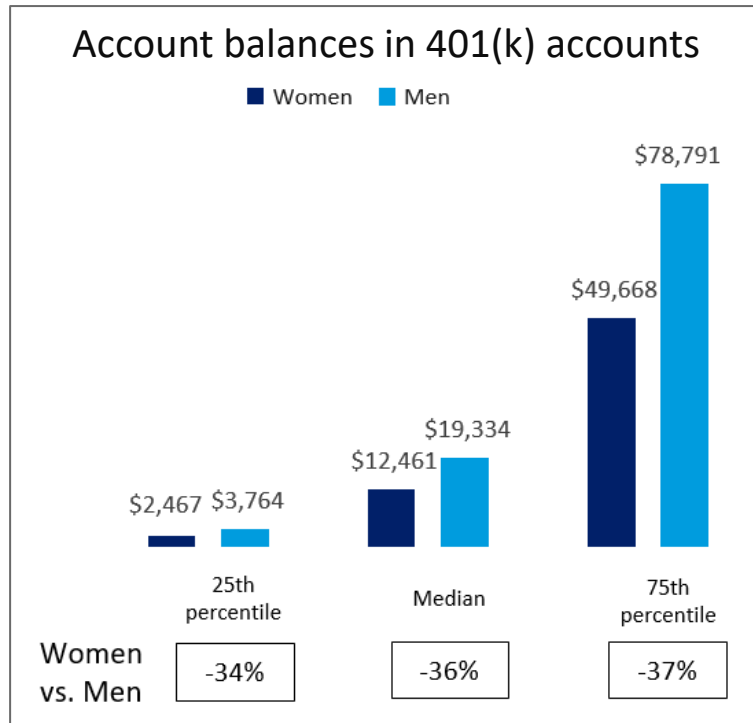
Women spend **44%** of their adult life out of the workforce, compared to **28%** for men<sup>1</sup>



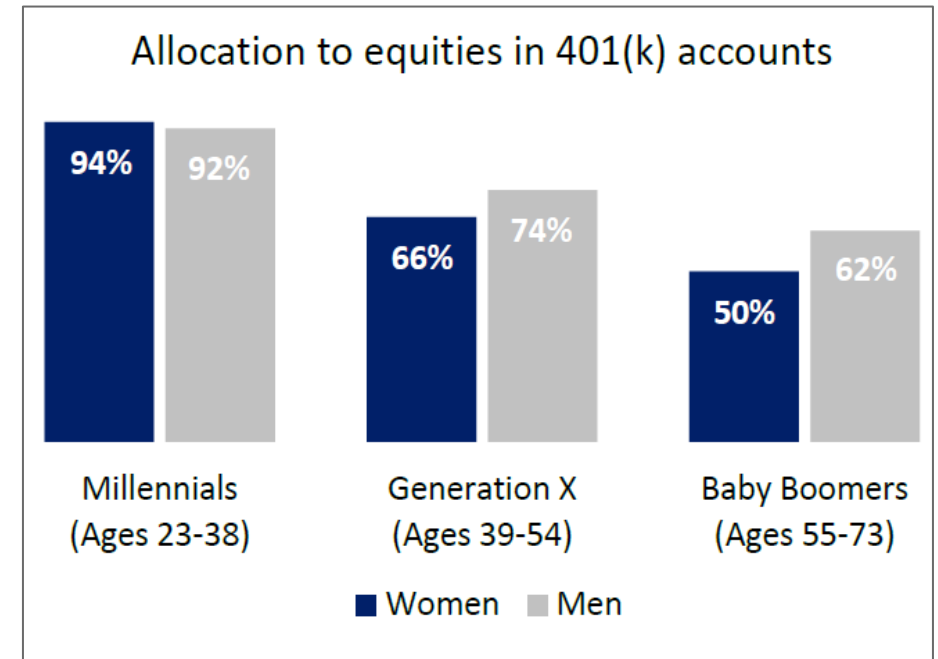
<sup>1</sup> Women and financial Wellness Study, 2018

<sup>2</sup> AAUW, "Deeper in Debt: Women and Student Loans," 2017

# Women trail in retirement preparedness....with 401(k) balances significantly lower...but we see younger women closing the gap in their allocation of equities



- Women participate in 401(k) plans at a lower rate than men** (58% vs. 65%).
- Women save at a lower rate than men** (6.8% vs. 7.2%).
- Women have 39% less assets**, on average, in their 401(k) with Baby Boomers falling further behind, lagging men by 47%.
- Women are 29% more likely to claim a hardship withdrawal.**



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Data: Bank of America's Retirement and Benefit Plan Services. Data as of December 2019. Based on the records of 3.1 million 401(k) plan participants. Calculations by Bank of America and Chief Investment Office.  
 Note: 401(k) plan balance amount contains the sum of fund-market-values for all funds within participant's account.

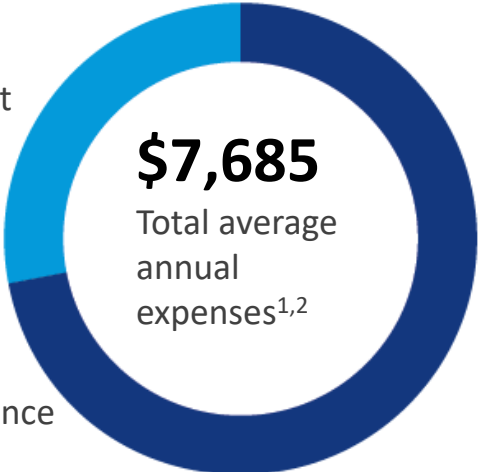


# The financial burden of healthcare is staggering



**\$2,138**  
Out-of-pocket expenses<sup>1</sup>

**\$5,547**  
Health insurance premiums<sup>2</sup>



**53%** 

of employees have skipped or postponed at least one healthcare activity to save money<sup>1</sup>

Projected healthcare-related expenses in retirement have increased

**23%**  
in the last 4 years<sup>3</sup>

In retirement, a 65-year old couple will need

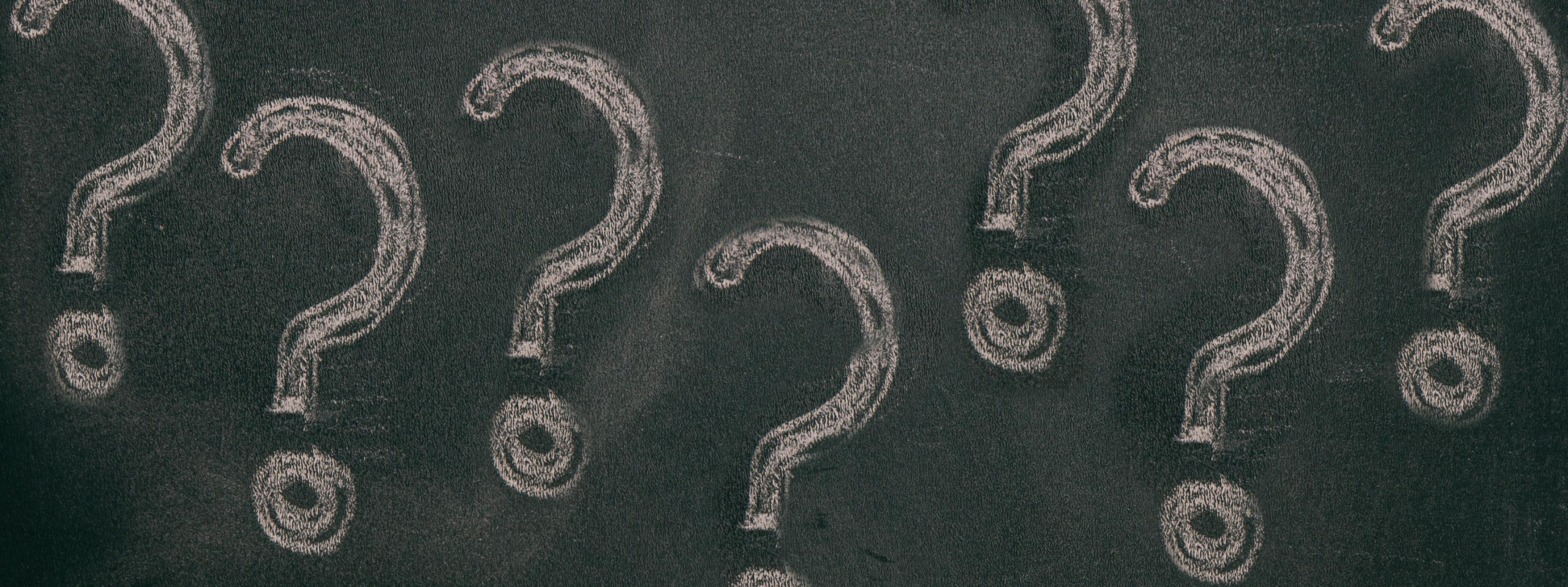
**\$296,000**

to cover their out-of-pocket healthcare costs<sup>3</sup>



1. 2019 Workplace Benefits Report, September, 2019  
2. 2018 Employer Health Benefits Survey, Kaiser Family Foundation, October 2018.  
3. Employee Benefits Research Institute, Issue Brief 460, October 2018





**POLLING QUESTION**  
PLEASE SHARE YOUR THOUGHTS



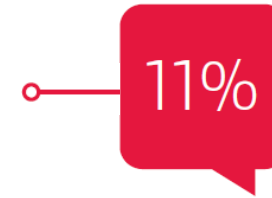
# HSA adoption is strong, but understanding is lacking – education is key

In our 2019 Workplace Benefits Report:



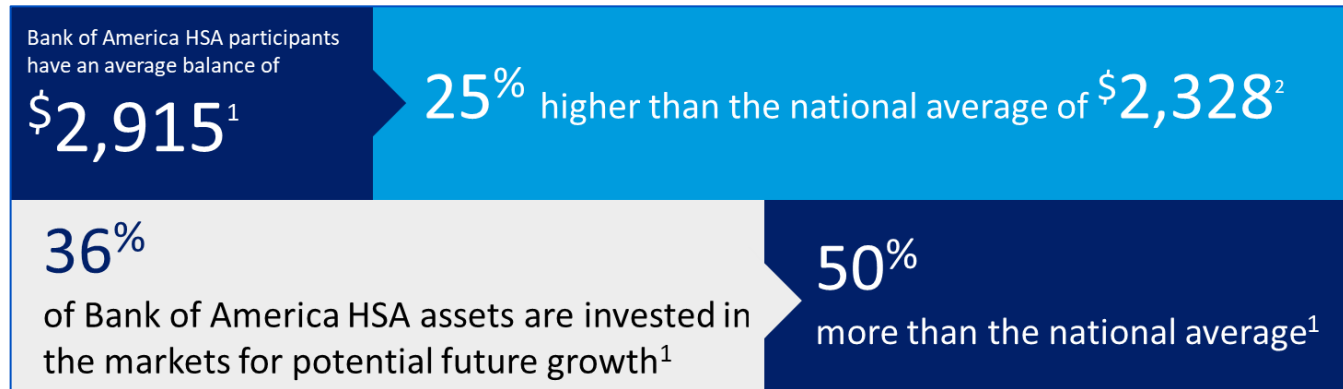
Percentage of employees that correctly identified each HSA attribute:

Offers a “triple” tax advantage*	30%
Funds in the account can be invested**	37%
Funds in the account do not expire	74%
Requires enrollment in an HDHP	78%



Only **11% of employees** correctly identified all 4 HSA attributes

And only **7% of employers** correctly identified all 4 HSA attributes



About Potential Tax Benefits: Participants can receive federal income tax-free distributions from their HSA to pay or be reimbursed for qualified medical expenses they, their spouses or dependents incur after they establish the HSA. If they receive distributions for other reasons, the amount they withdraw will be subject to federal income tax and may be subject to an additional 20% federal tax. Any interest or earnings on the assets in the account are federal income tax-free. Amounts contributed directly to an HSA by an employer are generally not included in taxable income. Also, if participants or someone else make after-tax contributions to their HSA the contribution may be tax deductible. Certain limits may apply to employees who are considered highly compensated or key employees if the employer makes contributions to the HSA or the employee makes contributions through payroll deductions. Bank of America recommends employees contact qualified tax or legal counsel before establishing an HSA.



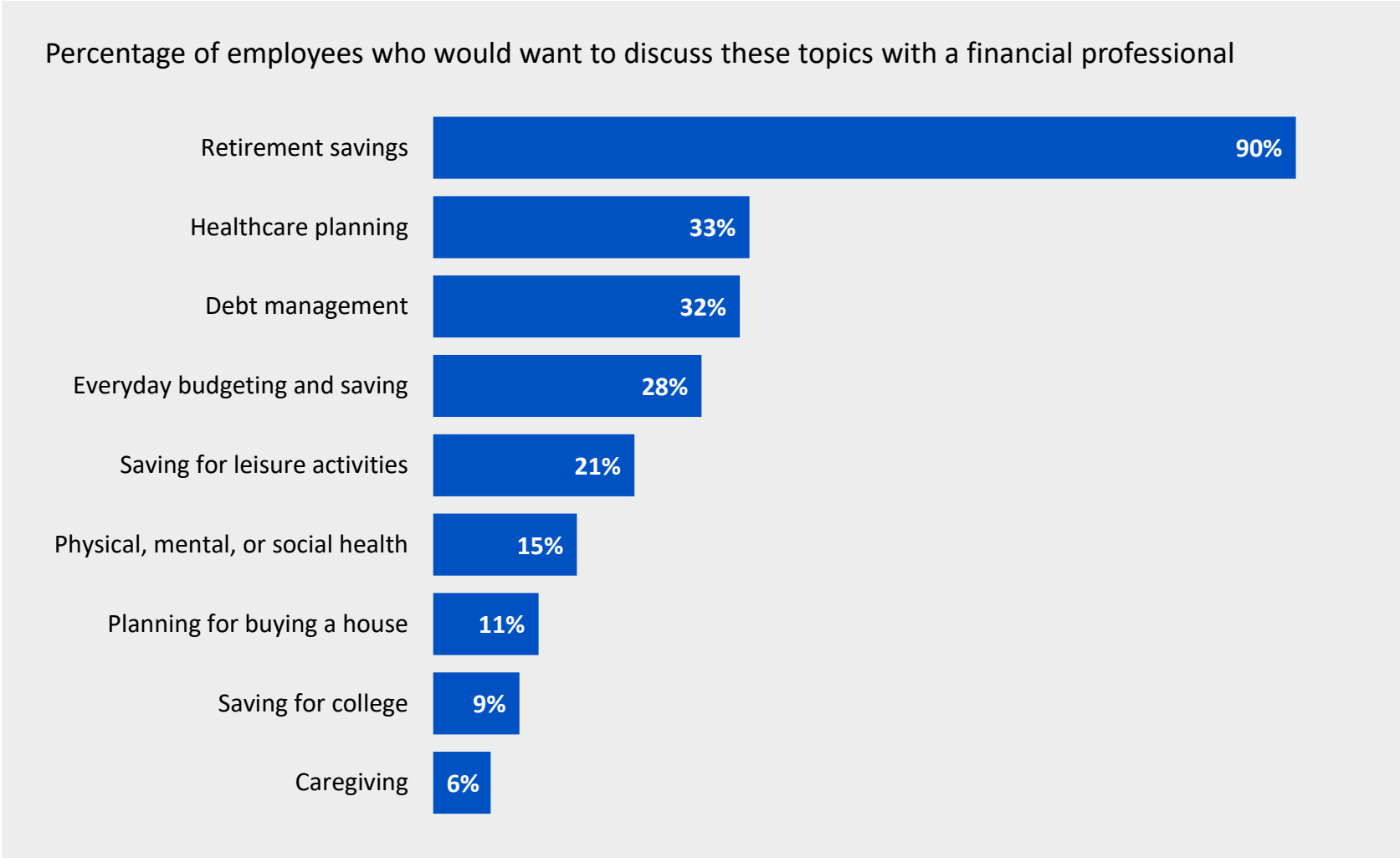
<sup>1</sup> Bank of America Health Benefit Solutions Product team, 2020.

<sup>2</sup> Devenir Research, 2019 Year-End HSA Market Statistics & Trends.

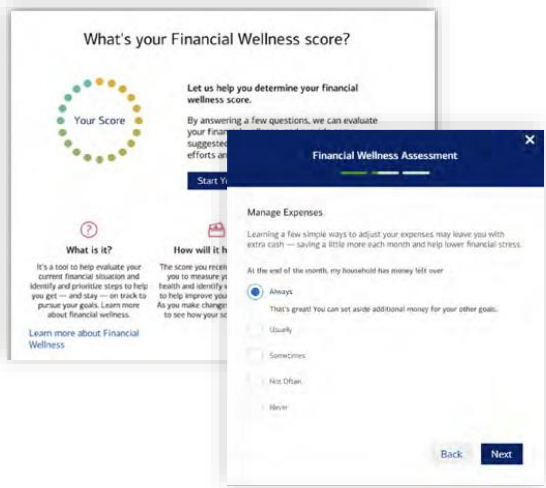
Investing involves risk, including the possible loss of the principal value invested

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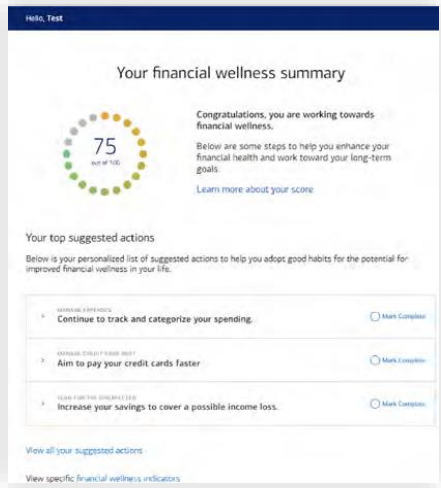
# Top financial topics employees want help with demand employers think broader than retirement when offering a financial wellness program



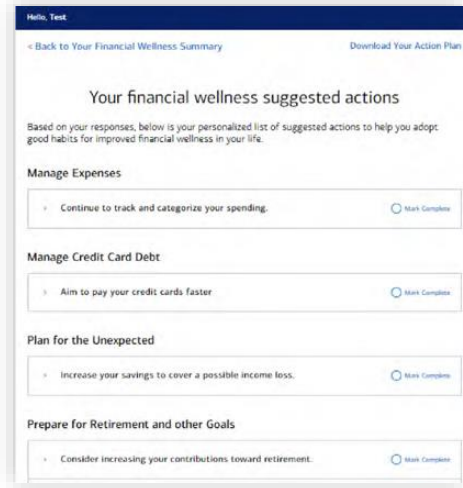
# Employees want help better understanding their full financial situation and the steps they can consider taking to help improve their financial lives



Know the most relevant information



Have a way to measure sound financial habits and progress



Have a personalized suggested action plan





# Best Practices for Financial Wellness Programs



Incorporate benefit plan design features that help drive participation and make it easier to engage

Provide benefit and wellness programs that help employees manage all aspects of their financial lives

Provide guidance & education programs that provide resources for employees across life stages, ethnicities, cultures and experiences

Promote savings and planning options to help manage growing healthcare costs

Offer connection to trusted planning resources who can help with strategies across all dimensions of holistic financial wellness

# Q&A



# 2021 Retirement Confidence Survey

## Focus on Diversity: Retirement Security of Black & Latinx Workers and Retirees

- Oversample of key minority groups
- Spanish-language surveys
- Insights on the priorities of different ethnicities, role of family in saving, preferred sources of financial information, and comparison of sentiment and outcomes of minorities born in the US and those born elsewhere

Partners obtain full survey results, receive specialized breakouts of key target markets, provide input into the survey, and more!

Kick-off is in October: Contact Betsy Jaffe, [jaffe@ebri.org](mailto:jaffe@ebri.org), to be included or for more info.

# Upcoming EBRI Programs

- COBRA: Are Subsidies Needed? – August 4
- Winter Policy Forum – December 10
- Please visit [ebri.org](http://ebri.org) for more information.
- Align your brand – Sponsor these events: contact Betsy Jaffe, [jaffe@ebri.org](mailto:jaffe@ebri.org)