

June
2024



Workplace Financial Wellness in America

The 2023 Market

Director Commentary

Looking back, 2023 proved to be a year of two opposing stories. For investors, **stock market gains**¹ helped propel savings balances to levels not seen for several years. This elevated retirement confidence as Fidelity reports more than a third (37%) of workers increased their retirement savings contribution rate, and 78% contributed enough to receive their full company match.²

By contrast, financially vulnerable workers continued to feel the economic pressure of persistent inflation³ and higher federal interest rates.⁴ These factors have an impact on consumer purchasing power, the cost of credit, and the ability to maintain emergency savings—all key components of financial resilience. With respect to retirement preparedness, Vanguard found that compared with 2022, there was a 12% increase in participants taking plan loans, and a 30% increase in hardship withdrawals.

Retirement security and financial resilience have tremendous influence on financial stress. Given the strong relationship between financial stress and job satisfaction, mental and physical health, and productivity, the argument for offering financial coaching that helps American workers improve in these areas remains clear.



Greg Ward, CFP[®],
*Director of the Financial Wellness
Think Tank at Financial Finesse*

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The Current State of Financial Wellness

Four Stages of Financial Wellness

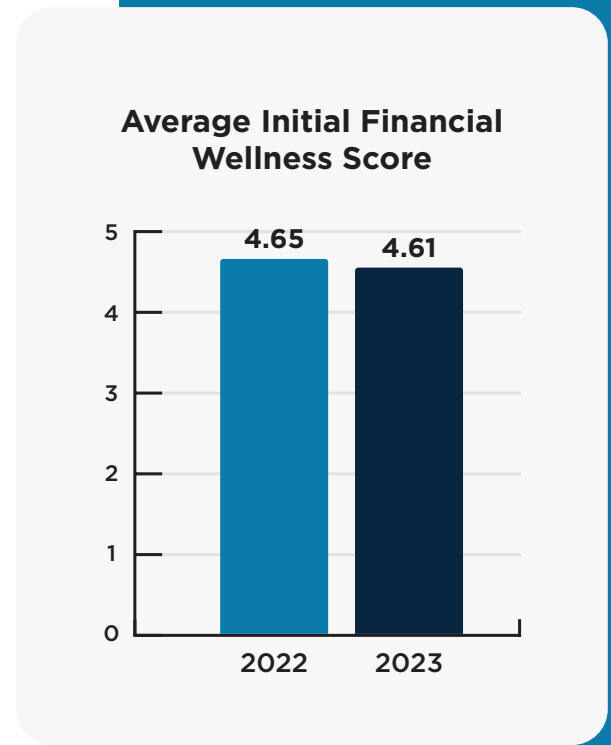
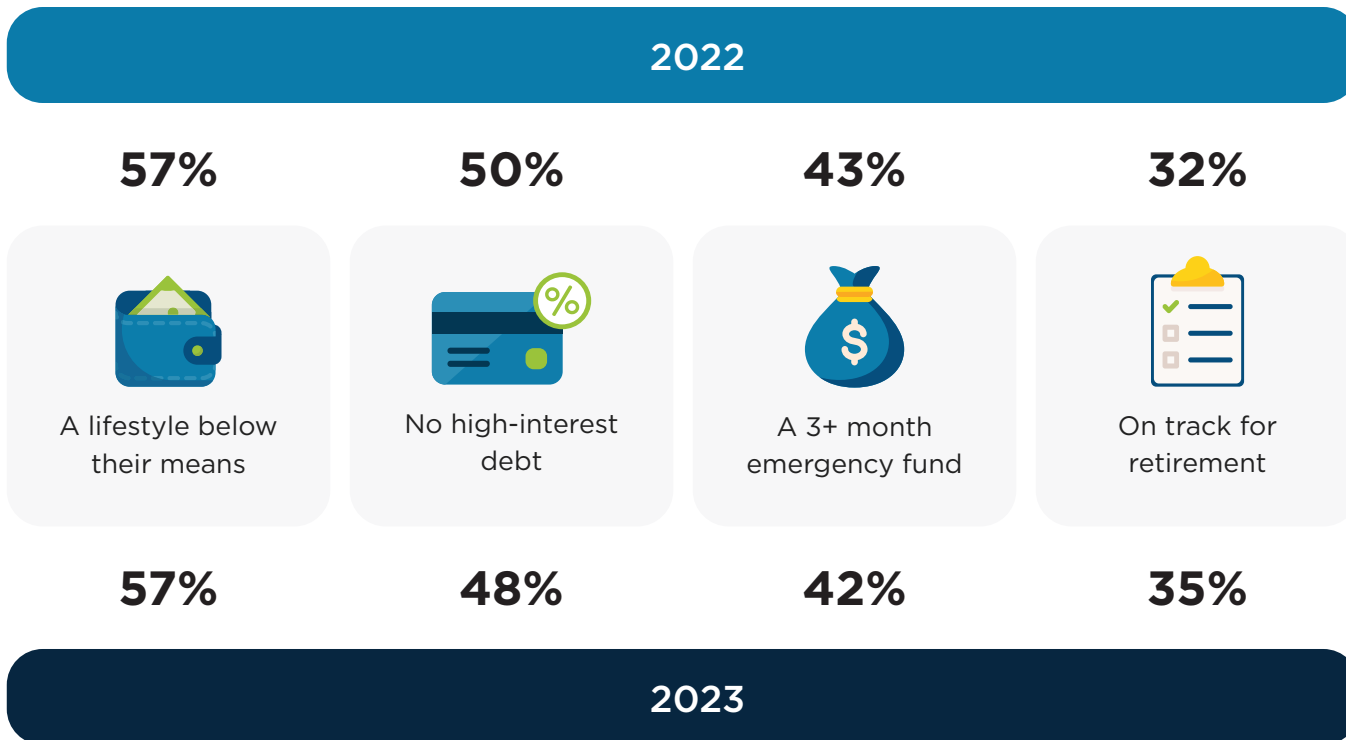
We have identified the following four stages along the financial wellness journey toward optimal financial wellbeing.

	Crisis 	Struggling 	Planning 	Optimizing 
Financial Wellness Score Range	<3	3-5	5-8	8+
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.

Financial Wellness:

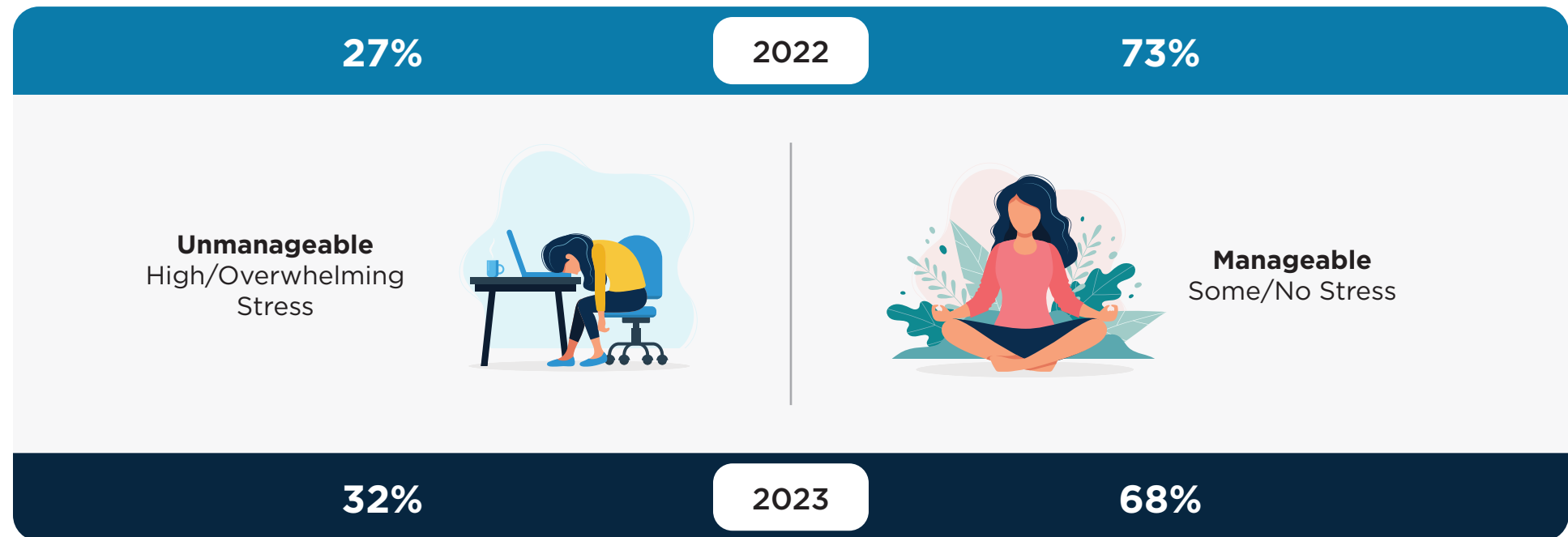
Where We Stand

The initial Financial Wellness Score for first time users of their employer's financial wellness benefit in 2023 fell slightly compared with 2022. Although most American workers are living at or below their means, less than half would be considered financially resilient. Higher cost of living makes saving for emergencies difficult, leaving only about a third feeling like they are on track for retirement.



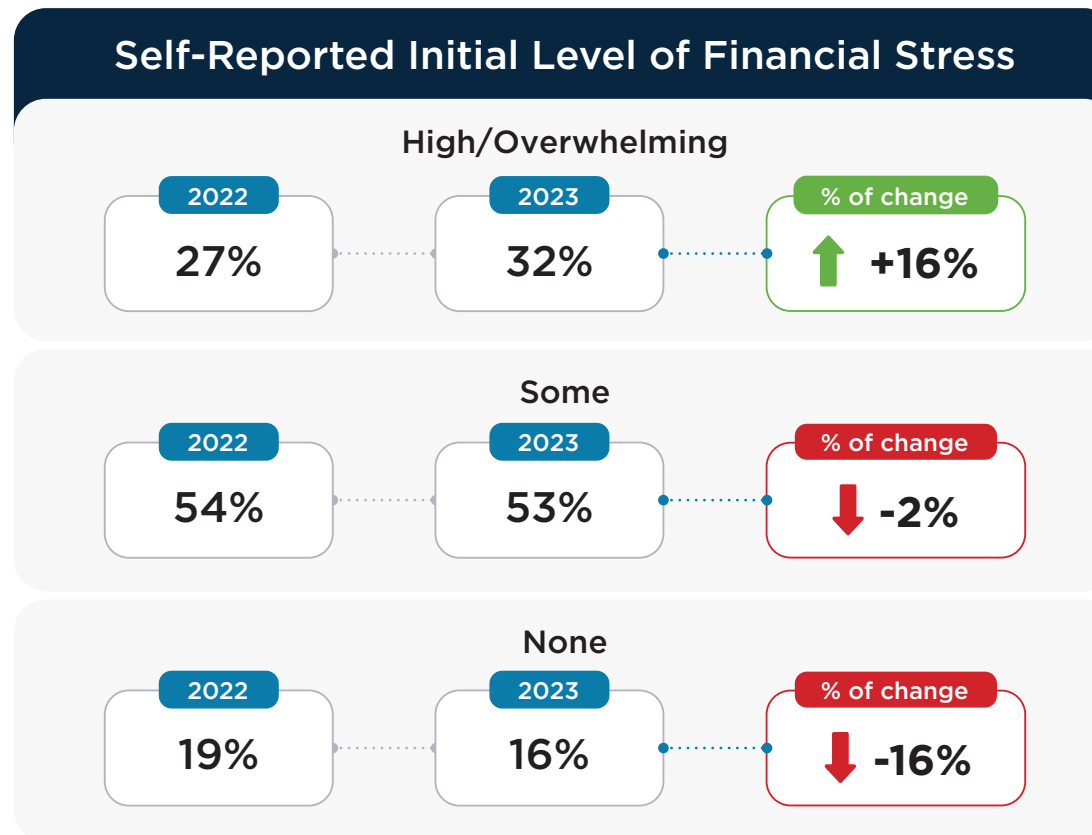
Unmanageable Financial Stress Continues to Rise Amid Strong Economic Headwinds

Regardless of income, American workers were more likely to report feeling high or overwhelming levels of financial stress (i.e., unmanageable financial stress) than in prior years.



Unmanageable Financial Stress Continues to Rise Amid Strong Economic Headwinds

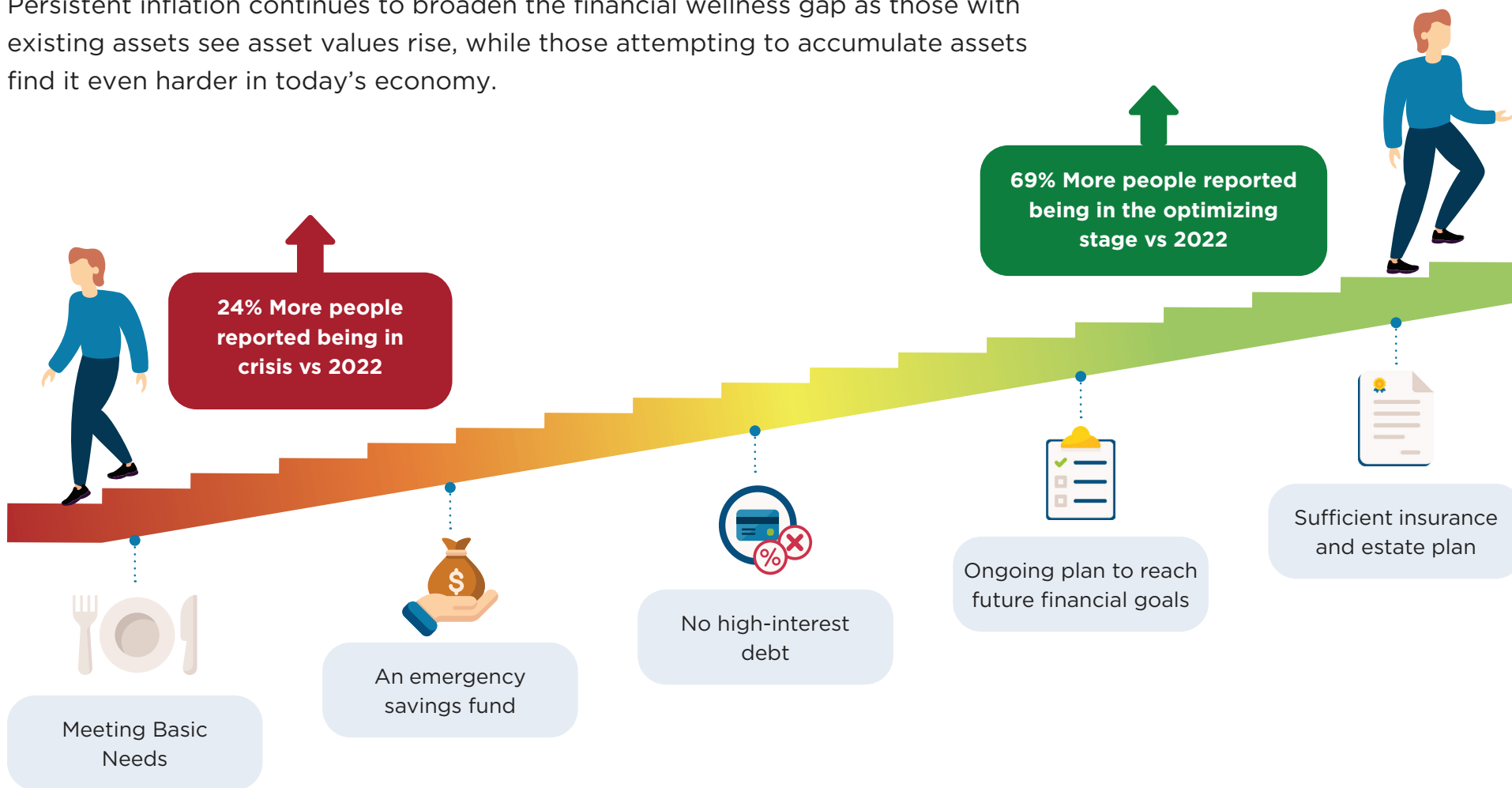
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Beneath the Surface

Two Different Economies

Persistent inflation continues to broaden the financial wellness gap as those with existing assets see asset values rise, while those attempting to accumulate assets find it even harder in today's economy.



Financial Wellness is measured on a 1 - 10 scale. Scores of <3 are considered to be in crisis, while scores of at least 8 are considered to be in the optimizing stage.

Crisis / Struggling



Three years of elevated inflation have driven the cost of living so high that many workers have depleted emergency savings and are tapping other sources to fund expenses:



78% of Americans are living paycheck to paycheck⁵



22% have nothing saved for emergencies⁶



U.S. credit card debt reaches all-time high \$1.13T⁷



Record 3.6% of workers took a hardship withdrawal from their 401(k)⁸

Planning / Optimizing



Savers, investors, and homeowners see rise in net worth as interest rates, stocks, and home prices rise:



Interest rates on savings rise as the federal funds effective rate reaches 5.33%⁴



401(k) balances soar as the U.S. Stock Market gains over 26%¹



Median home price reaches \$400,000⁹

Crisis

First time users in 2023 were **24% more likely** to be in crisis compared with 2022.

Among Those in Crisis, the Top 5 Milestones Achieved Were: (completion %)

Meeting Basic Needs (36%)

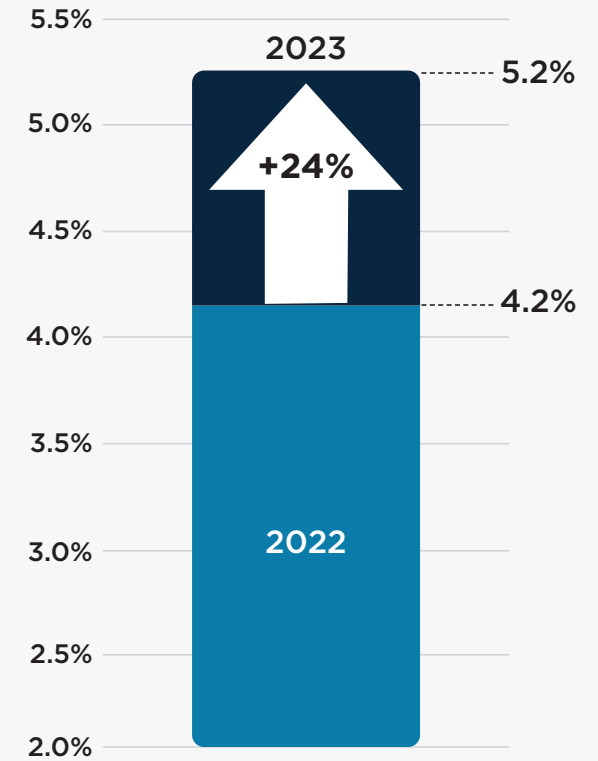
Credit Report Is Accurate (29%)

Know Credit Score (28%)

Set Beneficiaries For Retirement Accounts (21%)

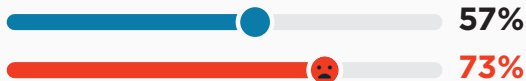
Health Insurance Coverage In Place (18%)

% In Crisis

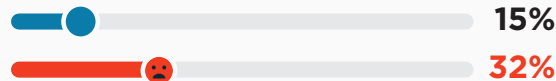


Key Demographics

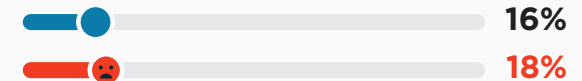
Female



Black



Hispanic



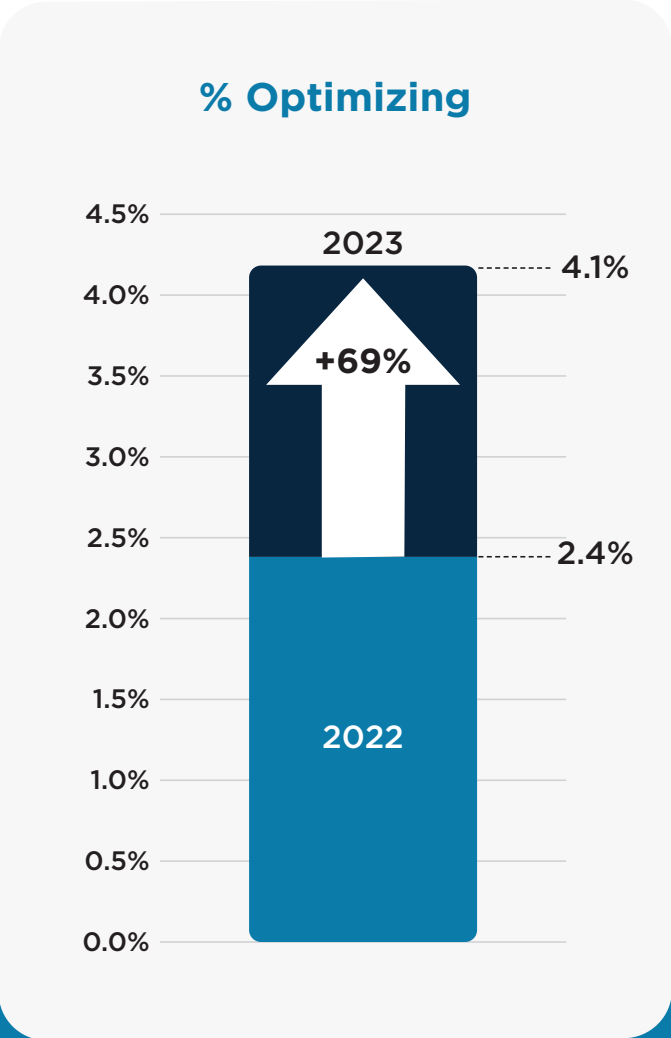
○ % of All Users ● % of users in Crisis Stage

Optimizing

First time users in 2023 were **69% more likely** to be optimizers compared with 2022.

Among Users in the Optimizing Stage, the Top 5 Milestones Achieved Were: (completion %)

Disability coverage in place*	(25%)
Conducted Investment Fee Analysis	(23%)
Taking Advantage Of All Tax Deductions And Credits Available	(22%)
Make sure investments are allocated appropriately**	(22%)
Healthcare Directive In Place	(21%)



Key Demographics

Demographic	% of All Users	% of users in Optimizing Stage
Female	57%	46%
Black	15%	9%
Hispanic	16%	11%

○ % of All Users 😊 % of users in Optimizing Stage

*This includes both short-term and long-term disability insurance.

**This includes making sure investments are diversified, rebalanced, and invested according to your risk tolerance.



The Value of Workplace Financial Coaching

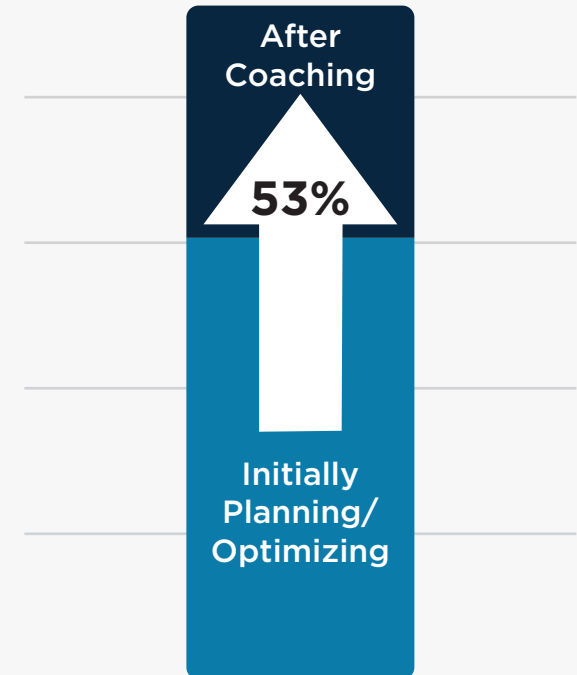
The Value of Live Financial Coaching

After working with a Financial Coach in 2023, there was a 53% increase in those who were in the planning/optimizing stages. This means that these employees are able to be focused on their long-term financial goals, instead of needing to work on their short-term financial needs.

After initially not having met these milestones, the top 5 areas of improvement among those that worked with a Financial Coach were:



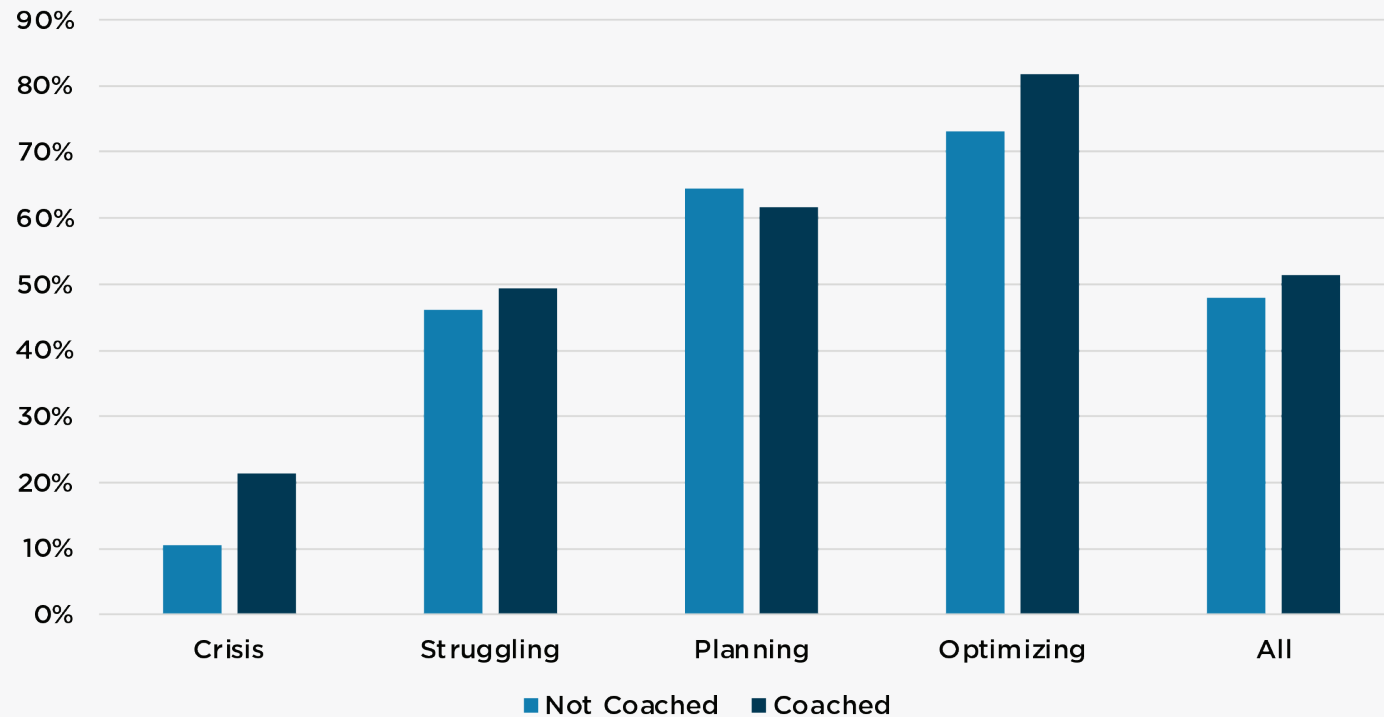
Increase in those in the Planning/Optimizing stages after working with a Coach



The Value of Live Financial Coaching

More than half of workers (52%) who initially had a high or overwhelming level of financial stress (i.e., unmanageable) now report some or no financial stress (i.e., manageable) after working with a financial coach. Employees at both ends of the financial wellness spectrum saw the most improvement from working with a financial coach.

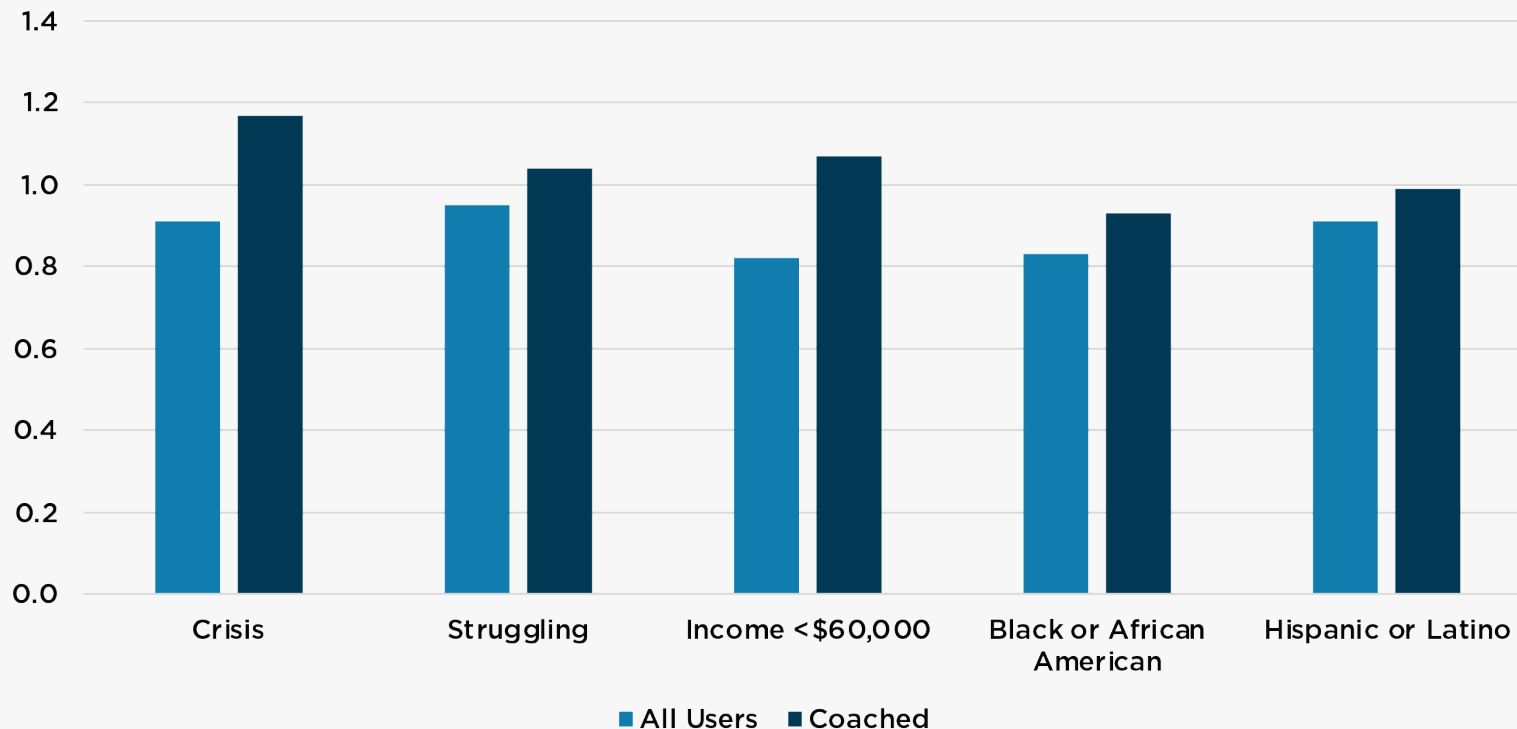
Percentage of workers whose financial stress has changed from unmanageable to manageable



The Value of Live Financial Coaching for Vulnerable Populations

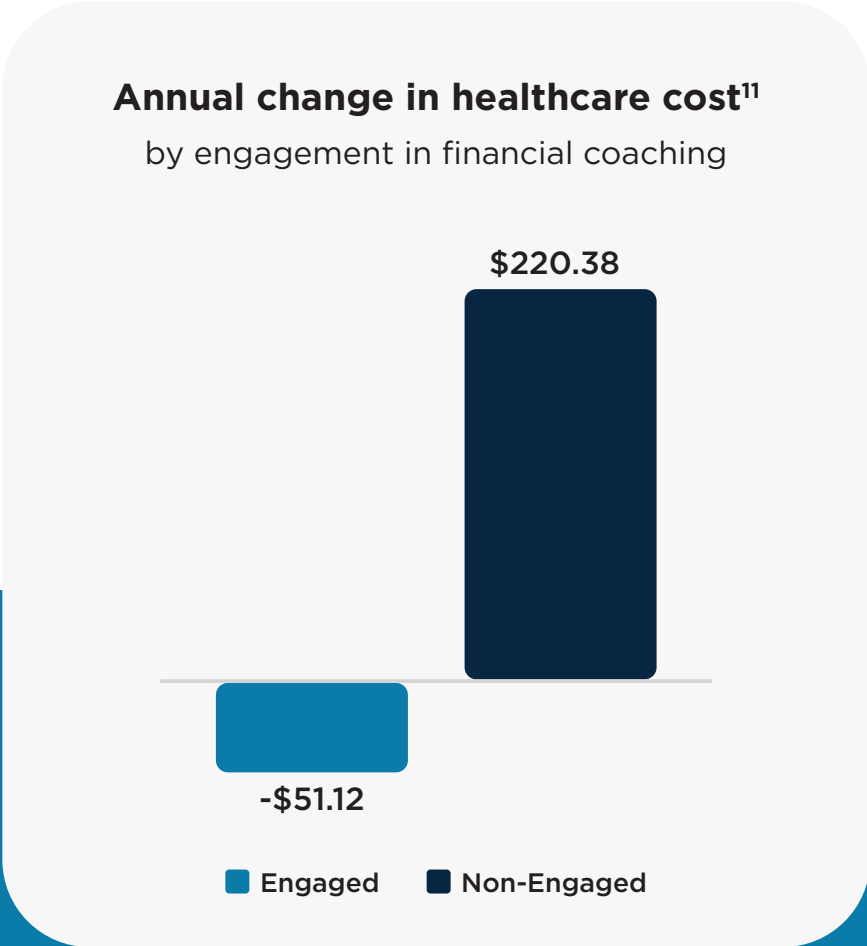
The impact from calling a live Financial Coach is greatest among those that are the most vulnerable.

Improvement in Financial Wellness Score for those that called a financial coach vs all users of their financial wellness program



How Financial Coaching Helps Employers

When employees work with a financial coach, financial stress is alleviated. Given the positive relationship between stress and healthcare costs,¹⁰ when financial stress is reduced, the reduction in healthcare-related costs creates substantial savings for the employer:



Estimated cost savings to employer
\$271,500
per 1,000 employees

How Financial Coaching Helps Employers

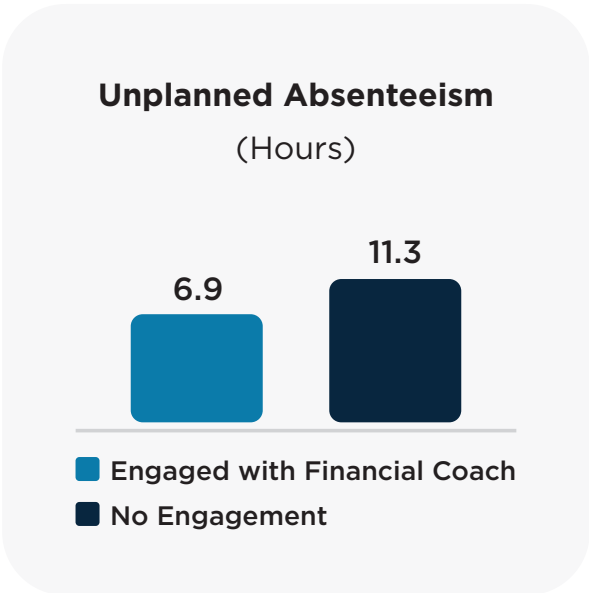
Financial stress is also positively related to turnover. When employees feel less financial stress, they are less likely to look for a new job.¹² Employers that retain talent derive cost savings from reduced turnover costs:



Estimated cost savings to employer
\$125,000
per 1,000 employees

How Financial Coaching Helps Employers

Financial stress contributes to distractions at work (i.e., presenteeism), and unplanned absenteeism. When financial stress is reduced, employees bring their best selves to the workplace, improving productivity and the bottom line:



Estimated cost savings to employer

\$190,625

per 1,000 employees

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 52,553 employees who interacted with Aimee between January 1, 2022 and December 31, 2023. 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.

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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.

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