INSIDE THE WALLETS OF WORKING AMERICANS

THE 2ND ANNUAL SALARY FINANCE REPORT

SALARY FINANCE

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EXECUTIVE SUMMARY

At a time when the United States is seeing low unemployment rates[1] and job growth, the results of our second annual survey reflect the stark reality that almost half of working Americans face: even when you're employed, it's hard to keep your head above water when it comes to personal finances. In many parts of the country, wages aren't rising enough to cover increased costs of living[2], leading to higher levels of high-cost consumer debt[3].

So what does this mean for the wallets, and more importantly, the overall wellbeing, of working Americans?

We've found that the **42%** of people who are **financially stressed** are 11x more likely to have sleepless nights, 10x more likely to not finish daily tasks at work, 9x more likely to have troubled relationships with their coworkers, and 2x more likely to be looking for a new job.

They are also much more likely to suffer from **poor mental health**: they are 6x more likely to experience anxiety and panic attacks, and 7x more likely to be depressed than those without financial stress.

Money worries show up in different ways for people with different incomes, ages, or educational backgrounds -- but one thing is clear: it's not just those who take home less money that are having trouble making ends meet.

Of those make **over $100,000** a year, over 30% of them regularly run out of money between paychecks -- keep in mind, these are people with incomes that are 8x the poverty threshold in the United States[4].

This shows us that financial stress is a problem that permeates the wallets of working Americans in all walks of life. We also found that there tends to be a disconnect between what people believe about their financial situation and the reality of that situation… more on that in the pages to follow, as well as what progressive employers can do to help.

1 Economic Policy Institute
2 PayScale Index
3 NerdWallet
4 U.S. Dept. of Health & Human Services

THIS REPORT IS STRUCTURED IN FOUR PARTS

Part 1: THE STATUS QUO

We share the results related to the levels of financial stress amongst working Americans and the impact it has on them, personally, and on their employers. We also explore how distinct types of financial stress, like medical debt, affect overall financial wellness.

Part 2: THE BAND-AIDS

In this section, we explore some of the ways financially stressed Americans are dealing with their money worries, including payday loans, credit cards, and overdraft fees. We also look at how someone's self-assessment of their financial situation compares to the reality of that situation, by comparing their survey responses to their actual credit scores.

Part 3: PLANNING FOR THE FUTURE

Here, we look at how working Americans are thinking about and planning for their financial futures: how they approach saving and budgeting, and how the economy and overall feelings of job security play into their financial situation.

Part 4: HOW EMPLOYERS CAN HELP

We introduce the concept of the Financial Fitness Score, how this can be used by employers to better understand the needs of their workforce, and which benefits financially stressed employees, or those who simply want to maintain a healthy level of financial wellness, are asking for.

METHODOLOGY

These results are based on a survey of 2,729 Americans currently employed at companies with over 500 employees. The respondents are distributed across the US geographically as well as proportionally across 26 industry sectors based on their relative size. The survey ran from November 12, 2019 to December 19, 2019. Citations of this report should read "Salary Finance's 2nd Annual Report, Salary Finance Inc, 2020."

01

THE STATUS QUO

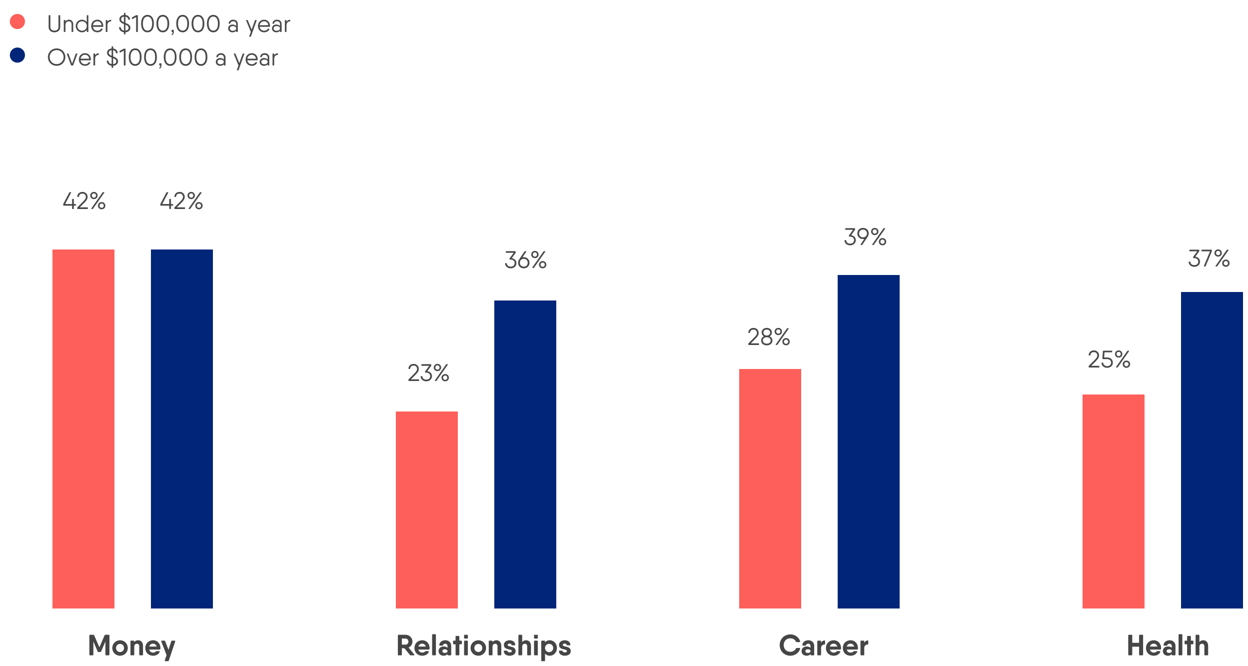
WE ARE MORE STRESSED BY MONEY THAN ANY OTHER AREA OF LIFE

We all worry about our relationships, careers, money, and health at some point in our lives, to a greater or lesser extent. However, our survey results show that more working Americans (42%) are dealing with financial stress than worry or stress in other areas of life: 31% report work or career issues, followed by 29% who are worried about their health, and 27% who are experiencing stress around their relationships.

While the levels of financial stress and the importance of money stay relatively constant across income brackets, interestingly, the amount of worry about relationship, career, and health issues only increase as income rises.

There are also significant differences between the degree of worry about money between generations: 53% of people under the age of 45 report feeling financial stress vs. only 30% of those over the age of 45.

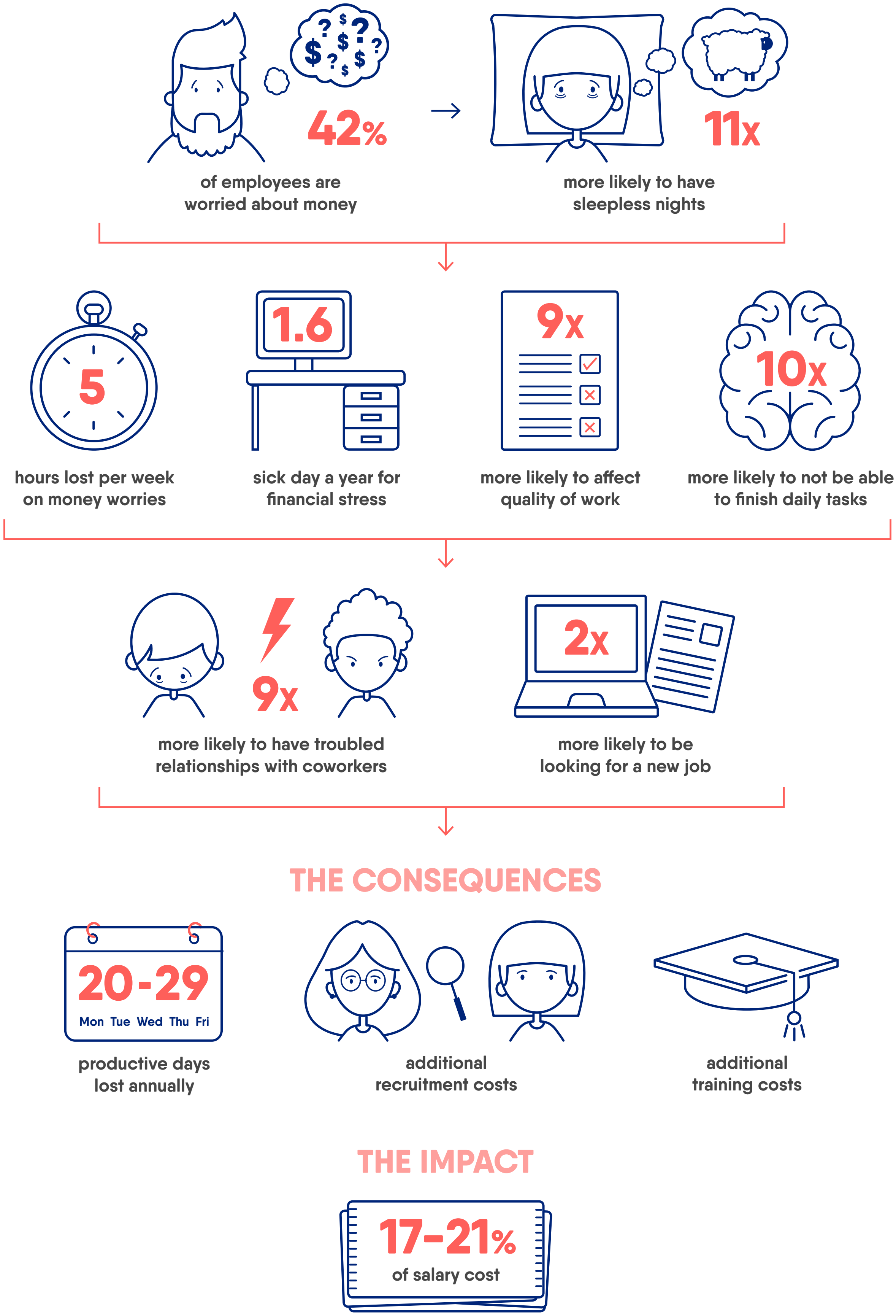
Stress by area of life and income



THE COST OF POOR FINANCIAL WELLNESS

42% of working Americans have financial stress, down slightly from last year when we found 48% of employees to be financially stressed.

However, the consequences for employers have worsened, costing them an estimated **17-21% of annual salary costs**, compared to last year's finding of 11-14%.



The business cost impact is based on a Harvard Kennedy School study[1] on the benefits of salary-linked financial solutions to reduce absenteeism and increase retention. It's a combination of days and hours lost, daily tasks not completed and the incremental recruitment and staff training costs due to lower retention. The average annual US salary cost per employee to employers is approximately $43,000 per year. 17% to 21% of that number is $7,310 to $9,030 per year. Therefore, for every 1,000 employees, the impact on the business is $7.3 to $9 million per year: Minimum impact = Total Payroll ($43,000 x 1,000) x 17% = $7.3 million, maximum impact = Total Payroll ($43,000 x 1,000) x 21% = $9 million.

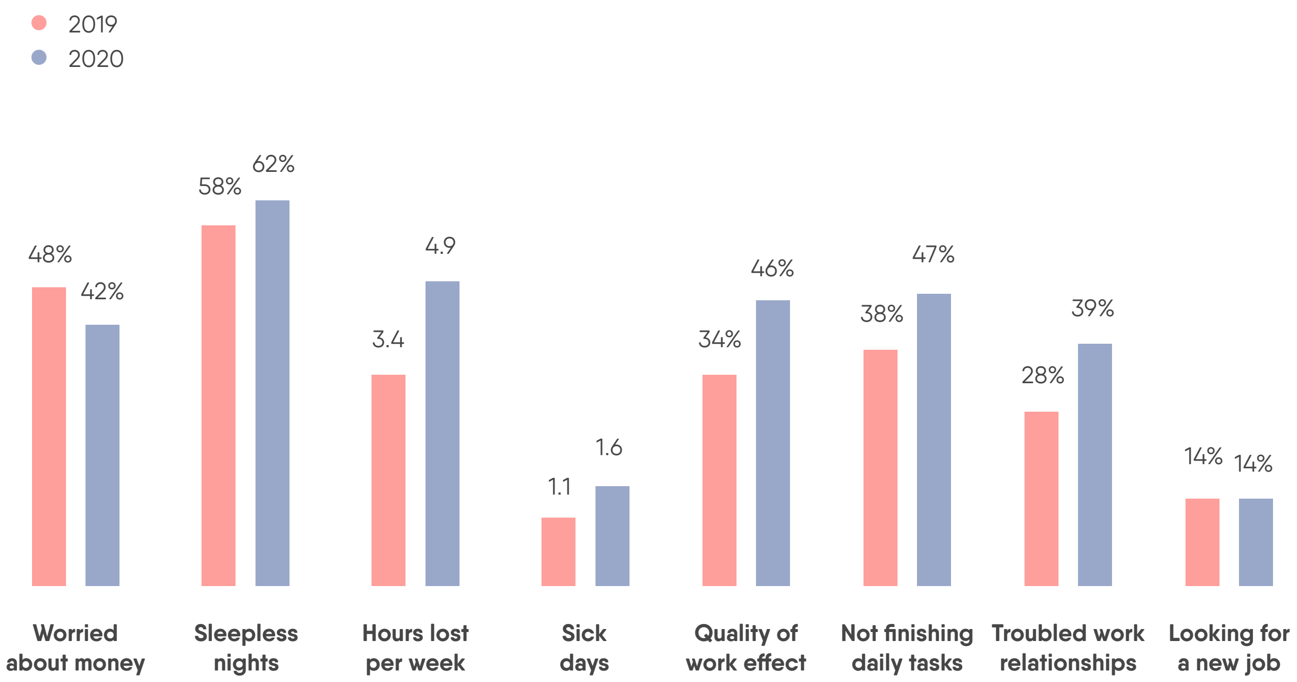
[1] Power of salary link, Todd Baker and Snigdha Kumar, Harvard Kennedy School, May 2018. https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/working.papers/88_final.pdf

We found a marked difference in the impact of financial stress on working Americans this year vs. last year, which suggests the **degrading effects of financial stress over time**. About half of those with financial stress say that their overall stress levels are worse now than they were a couple years ago, matching overall economic trends showing that only 20% of consumers were meaningfully better off financially in 2017 than they were in 2007[1].

Those with financial worries continue to have more problems with sleepless nights, concentrating on work (both in terms of quality of work and completing daily tasks), and worse relationships with coworkers than those without financial stress.

It's interesting that this doesn't seem to have increased the likelihood that they're looking for a new job, as compared to last year's numbers. For employers, this means that **employees who are worried and stressed are more likely to continue in their present role**, even though they're performing poorly or are unhappy. This is not good news when it comes to employers' bottom lines, as we'll explore in more detail later.

The impact of poor financial wellness: 2019 vs. 2020



1 Deloitte

FINANCIAL WELLNESS SIGNIFICANTLY IMPACTS MENTAL HEALTH

There is a very strong link between mental health and financial stress. In last year's report, we confirmed the presence of this link, and this year's research further demonstrates the impact financial worries can have on mental health.

We asked to what extent people agreed or disagreed with the following statements:

- I feel anxious and am prone to panic attacks
- I feel depressed and find it difficult to carry on with life

Those with financial stress are over 6 times more likely to be suffering from anxiety and panic attacks, and 7 times more likely to be suffering from depression.

These serious issues have become more common in people dealing with financial stress between last year and this year, perhaps suggesting that the longer someone is saddled with money worries, the more likely it is they will become anxious and/or depressed as a result.

However, it's not clear from the data when considering mental health and financial stress which is cause and which is effect. What is clear from the data is that financial wellness is a huge issue for employees, and it is strongly correlated with mental health.

Those with financial worries are:

6x

more likely to be suffering from anxiety

7x

more likely to be suffering from depression

ABSENTEEISM, PRODUCTIVITY, ENGAGEMENT & RETENTION

In this section we take a deeper look at the consequences of financial stress on absenteeism, presenteeism, and retention at work.

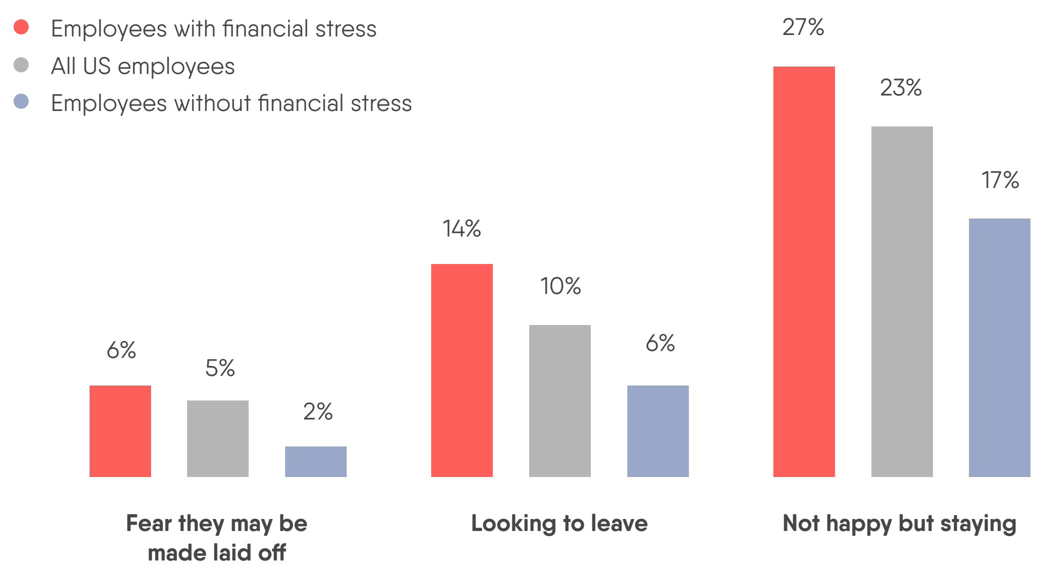
What the data illustrates is that people across the board are negatively impacted by financial stress both inside and outside of the workplace. Those impacts have downstream negative effects on employers' bottom lines, in ways we'll explore later in this report.

Absenteeism

We saw earlier that those with money worries take, on average, a day and a half off per year to deal with financial issues. While that might not seem like much on its own, once we consider an entire company, the cost in lost working days can build up quickly.

We know 42% of employees have financial worries, or 420 people out of every 1,000 employees. If each of those employees takes 1.6 additional sick days per year due to financial stress, then absenteeism related to poor financial wellness is costing an employer with 1,000 employees 663 lost days per year, the equivalent of just over 55 lost workdays each month.

Money worries and job satisfaction



55

lost workdays per month per 1,000 employees due to absenteeism[1]

Presenteeism and productivity

We also saw that employees with money worries spend almost five working hours per week dealing with personal money issues during the workday vs. one hour spent by those without financial worries.

This means money issues are at the root of an additional handful of hours per week of lost productivity for those that have them. Spread out across an entire year, those employees are losing the equivalent of 30 working days a year due to their financial issues.

Engagement and retention

Those with money worries are 2.3 times more likely to be looking for another job, but the issues related to engagement and retention are deeper than just those wanting to leave their current employer. It is also the case that employees suffering from financial stress are:

- 1.6 times more likely to be unhappy in their current role but planning to stay
- 1.4 times less likely to be happy with their job

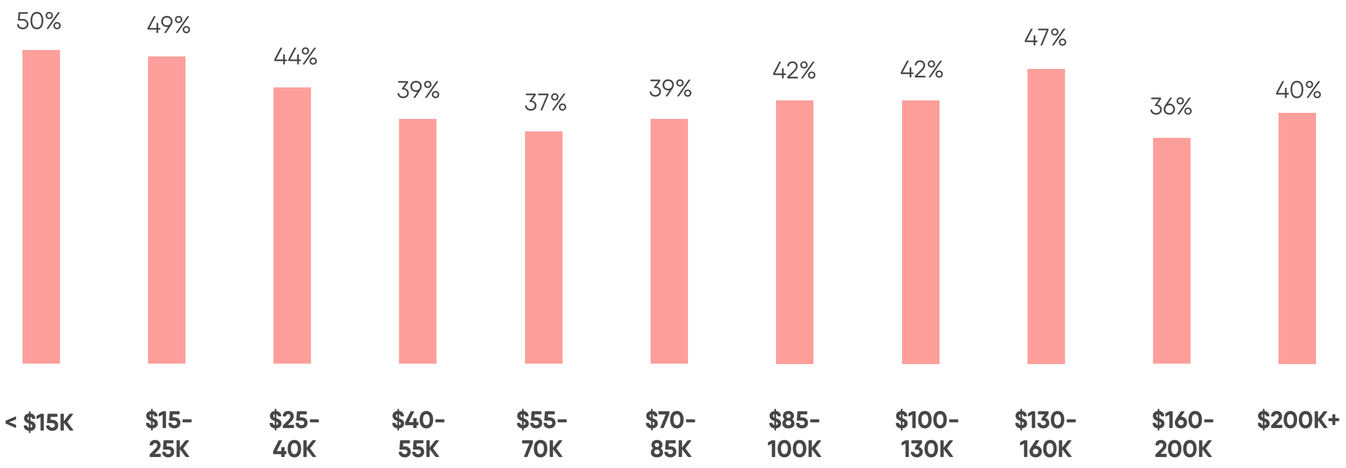
1 Based on average hourly wage of non-management private sector US workers of $22.65 (Pew)

MONEY WORRIES ARE NOT ALL ABOUT INCOME

There's a consistent narrative in America that if you make enough money, financial concerns simply vanish. But in a time when we're seeing a modest increase in wages coupled with larger increases for necessary expenditures like housing[1] and higher education[2], for many people, their once-adequate salaries aren't allowing them to reach the financial milestones that previous generations could expect.

When comparing levels of financial worries by income, you might be surprised to see two distinct peaks across the income spectrum. As you would expect, those making under $25,000 a year have the highest levels of stress, as a cohort. But those making between **$130,000-160,000 a year** are actually the next highest in terms of how many people at those income levels are experiencing financial stress. Even at the lowest point, 36% of those making between $160,000-199,999 a year have money worries.

Higher income doesn't mean less money worries



1 Unison 2019 Home Affordability Report
2 College Board

STRESS & FEELING IN CONTROL

There are many potential causes of financial stress - struggling with existing, high-cost debt is the most obvious example. However, there is a growing body of evidence that many people simply find sticking to a budget throughout the month to be a challenge, and that this ends up keeping them in a cycle of short-term, expensive debt.

This is supported by our own data which found that 32% of people regularly run out of money between paychecks -- regardless of their level of financial stress. A similar amount of people say that they don't have enough to take care of life's unexpected expenses.

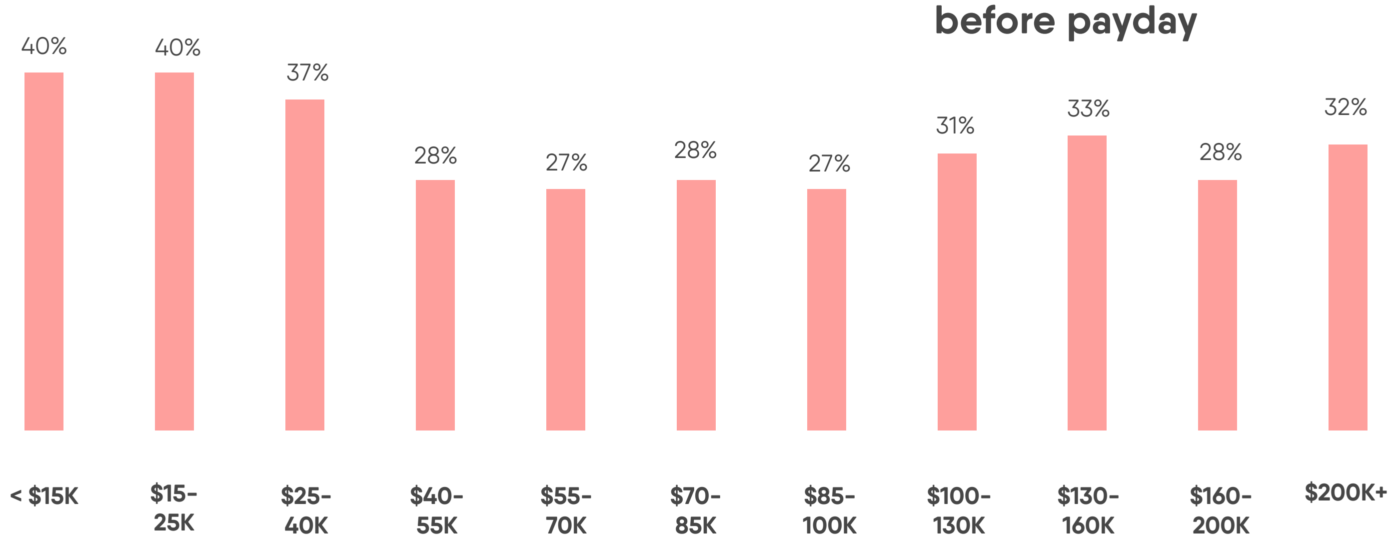
Of those who are financially stressed, the amount living paycheck-to-paycheck goes up to 56%. **41%** of those with financial stress don't have enough to cover their **monthly housing costs and/or utility bills** (17x more likely than those without money worries).

A continual feeling of running out of money creates a reduced sense of control and has a negative impact on overall financial wellness. We found that regularly running out of money was strongly correlated to money worries. What was most interesting is that this was true across all salary bands, demonstrating again that higher income does not protect people from financial stress.

32%

of people regularly run out of money before payday

Running out of money between paychecks by income level



HEALTHCARE COSTS & MEDICAL DEBT

We found that many people carry outstanding medical debt and almost half of Americans are stressed about healthcare costs. This should come as no surprise, given that medical expenses in the US have grown 33% in the past ten years, compared to a median income growth of 30%[1].

45% of Americans agree that when thinking about **healthcare costs**, they feel worried or stressed. 33% say they avoid getting healthcare due to worries about how much it will cost. For those under the age of 35, that goes up to 47%.

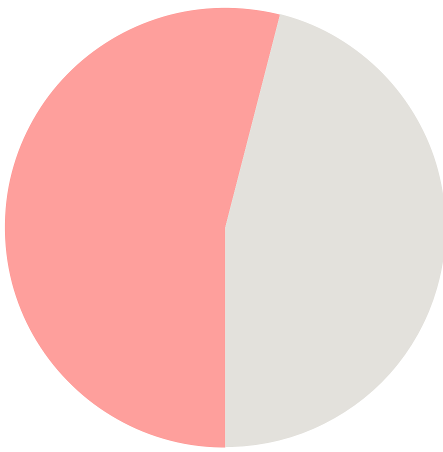
These worries are not unfounded: of the many people who have had to deplete their savings for a necessary expenditure, medical bills were a top reason.

Importantly for employers, we found that employees who have health insurance through their employer are less likely to have financial stress. 36% of employees who have health insurance through their employer are financially stressed, vs. 51% of those whose employer does not provide them health insurance.

32%

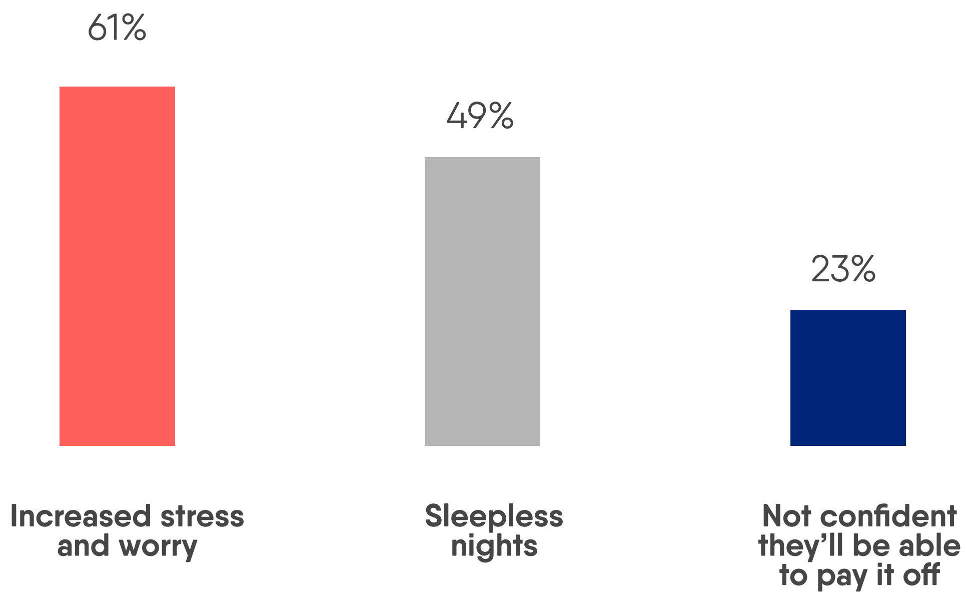
of all working Americans have outstanding medical debt

54% of people with medical debt have defaulted on it



1 NerdWallet

Other negative effects experienced by people with medical debt



02

THE BAND-AIDS

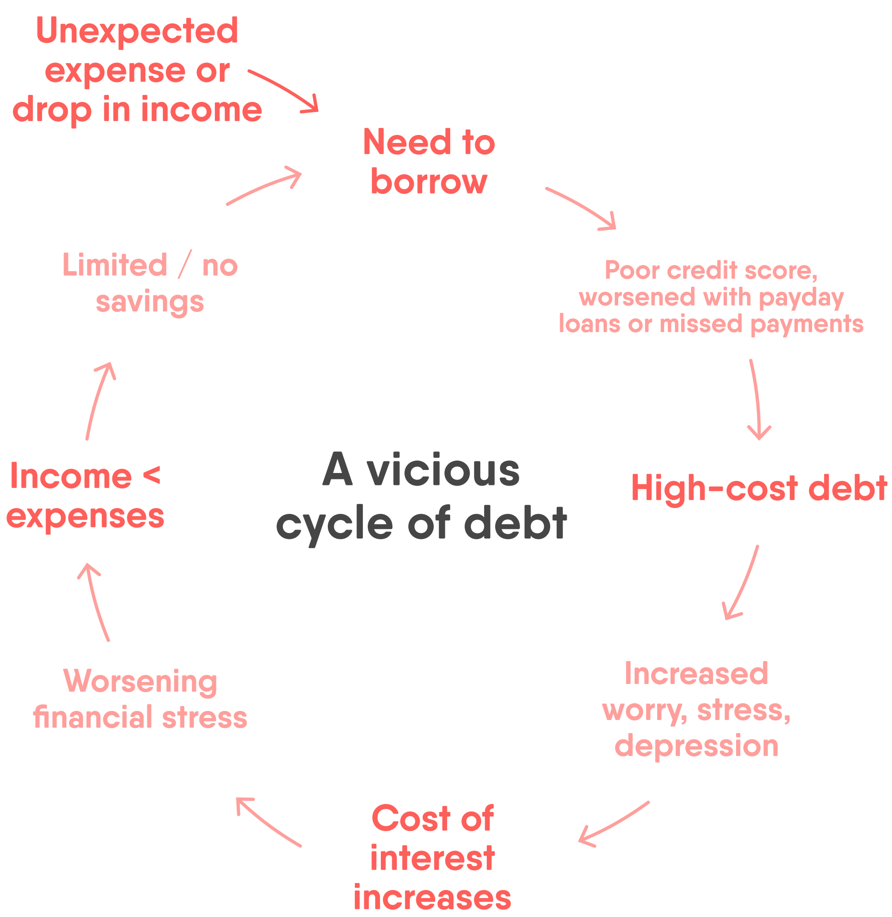
HOW ARE PEOPLE MAKING ENDS MEET?

And are these financial solutions feasible long-term?

The short answer is no: in order to stay afloat, many Americans are taking on more and more high-cost debt in the forms of payday loans and high-interest credit cards. This is backed up by NerdWallet's 2019 American Household Credit Card Debt Study, which found that credit card debt increased almost 6% throughout 2019 and more than 34% in the past five years[1].

Many people are neglecting to put anything aside for emergency savings, which leaves them even more vulnerable to a vicious cycle of debt in the event of an unexpected expense they can't afford.

Perhaps due to the prevalence of unsecured credit in America, we found that many people appear to not be fully aware of the reality of the financial situation they're in, even while they're honest about the fact that they are experiencing stress related to their personal finances. People's self-reported credit scores overwhelmingly didn't match the actual scores, reflecting a low level of financial literacy or self-awareness when it comes to financial health.



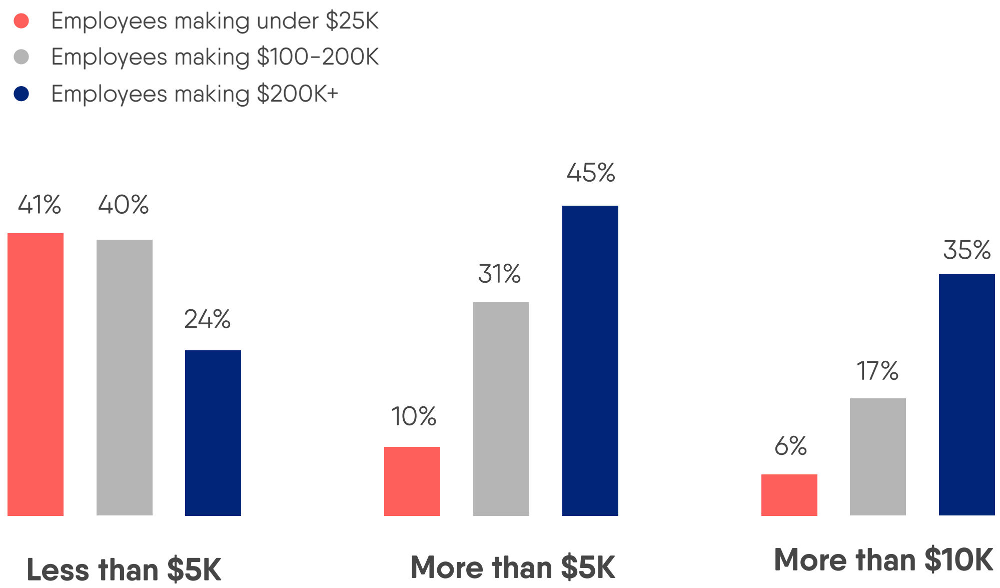
1 NerdWallet

CREDIT CARD DEBT

Many employees carry large amounts of credit card debt, and although ubiquitous advertising may lull us into thinking all of those cards come with a 0% interest APR, in actuality, the average interest rate across all credit cards in the US was 21.44% as of October 2019[1].

Our survey also found that 38% of all employees report consistently carrying credit card balances over to the next month. A large percentage (**46%**) of employees who do this have **more than $3,000** left on the cards each month after paying the bill. Regular credit card usage is on the rise, with over a quarter of people under the age of 45 using their credit card at least once a day (compared to only 10% of those over 55), and of those making more than $100,000 a year, that number jumps to over three quarters.

Amount left over on credit card bills each month (by income level)



21.44%

Average interest rate across all credit cards in the US as of October 2019

1 The Balance

PAYDAY LOANS

Payday lending remains a destructive yet still popular borrowing option for employees, and for perhaps surprising types of employees at that. While many may think of payday lenders mainly as a predatory form of lending storefronts in low-income neighborhoods (which also happens to be true), it is a form of lending that's actually most popular amongst two distinct groups: young people with low incomes and those at the higher end of the income spectrum.

9% of people have borrowed via a payday loan in the past 12 months, and that number goes up to **15% for those under the age of 34**, and 12% for those making more than $200,000. In fact, among those making over $200,000 a year who have taken out a payday loan, 37% of them have taken out more than $5,000 in the past year, and 21% have borrowed more than $15,000.

The most common reason amongst borrowers under 34 for taking out a payday loan was to pay for **holiday gifts or travel**. That percentage is sharply lower in older generations.

391%

Average interest rate for a payday loan[1]

1 CFPB

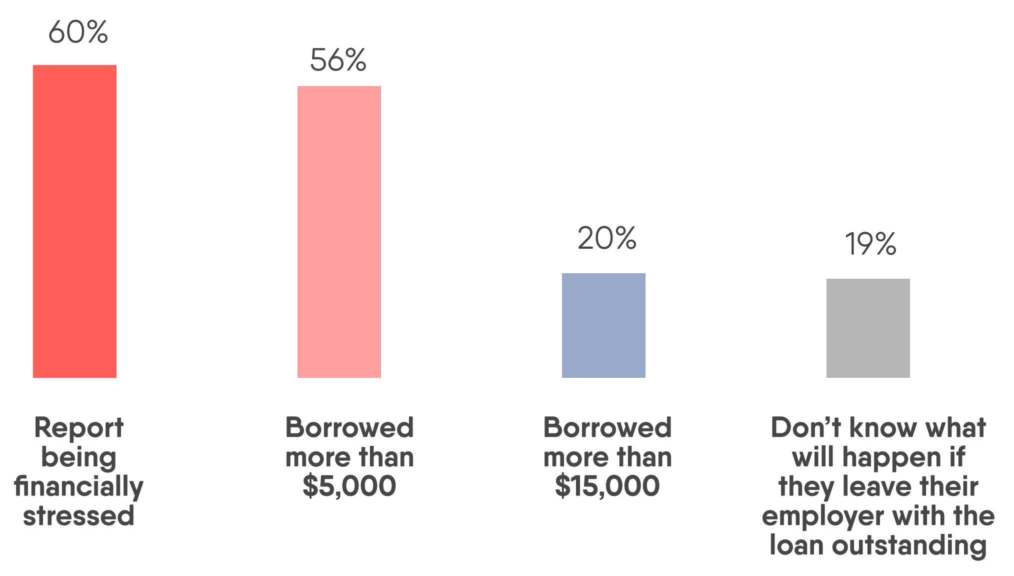
401(K) LOANS

401(k) retirement plans are an important part of securing the long-term financial wellness of working Americans, but 401(k) loans can make it hard for employees to build their savings consistently.

The data shows that most employees already aren't saving enough in their 401(k): 35% of employees have no plan balance, rising to 66% of Millennials[1]. 401(k) loans allow employees to deplete their funds further and risk lower total investment return in the future (due to decreased plan balances), and other financial risks if they leave their company before they repay the loan. Industry data tells us that approximately 19% of those eligible for a 401(k) loan have a loan outstanding[2]. Our survey showed that 33% of employees with a 401(k) have withdrawn more than $500 in the past 12 months.

We know that one in five people who borrow from their 401(k) reduce their current contribution when they have a loan outstanding, and **15% stop contributing altogether**[3]. Add to that the tax penalties, late payment penalties, setup and maintenance fees, and no upside for an improved credit score as a result, and a 401(k) loan, especially when taken out by someone in financial distress, could end up causing more harm than good.

Of those who have borrowed from their 401(k) in the last 12 months:

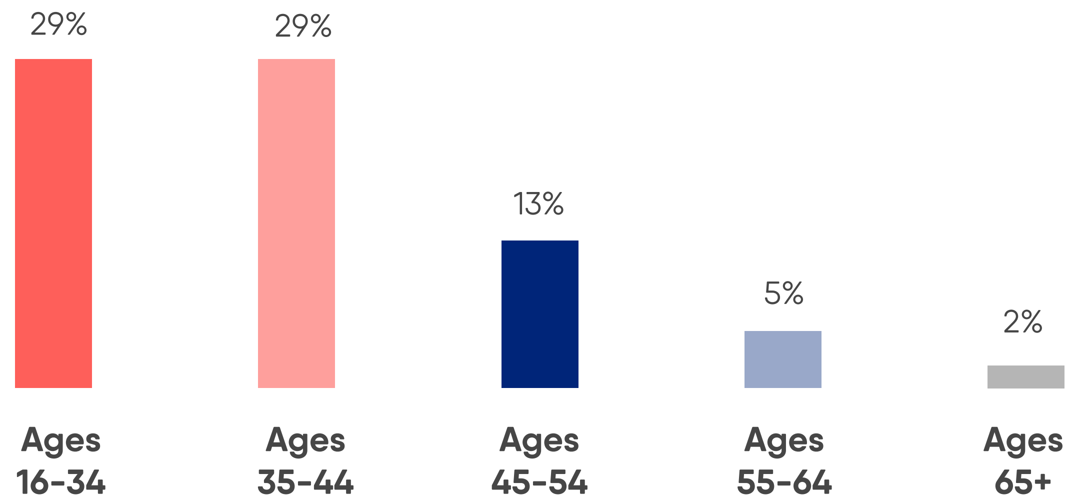


1 National Institute on Retirement Security
2 Employee Benefit Research Institute
3 Fidelity

DESPERATE IN DEBT

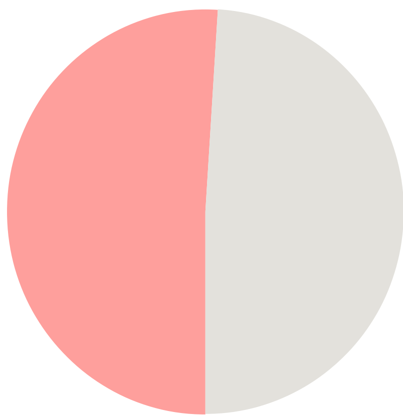
30% of working Americans would choose to **go without a vacation for five years** if their debt could be forgiven

People under the age of 45 are much more likely to use **overdraft fees** as a way to borrow money.



% who have paid over $100 in overdraft fees in the past 12 months

51% of those making less than $25,000 per year say they'd work **two more hours a day** if their debt could be forgiven



MYTH VS. REALITY WHEN IT COMES TO CREDIT

People are clearly in touch with their feelings about their financial situations, as our survey responses show, but what does the actual data say? Do the same people who say they're focused on paying down debt, saving money, and long-term financial planning actually have a clear picture of their current financial situation?

We asked employees if they knew their credit scores, and those who said they did, we asked them what they thought it was. We then got their permission to pull their credit score data from a consumer reporting agency so that we could compare the self-reported scores to the actual ones. The overwhelming majority of people said they did know their credit scores (92%), and of that group, we were able to compare their answers to their actual scores for 1,715 of those respondents.

The data here is not necessarily promising, but also not surprising: 62% of people were off by 50 points or more from their actual score. Those with sub-prime scores (under 620) were far more likely to overestimate their score (77% overestimated by 20 points or more vs. 46% of those with prime scores).

While some may assume that not knowing one's credit score may be influenced by factors like education or income, interestingly, there weren't especially strong correlations. Those **with or without a college degree** were almost exactly as likely to have overestimated or underestimated their score by 100 points or more, or to have reported their score accurately.

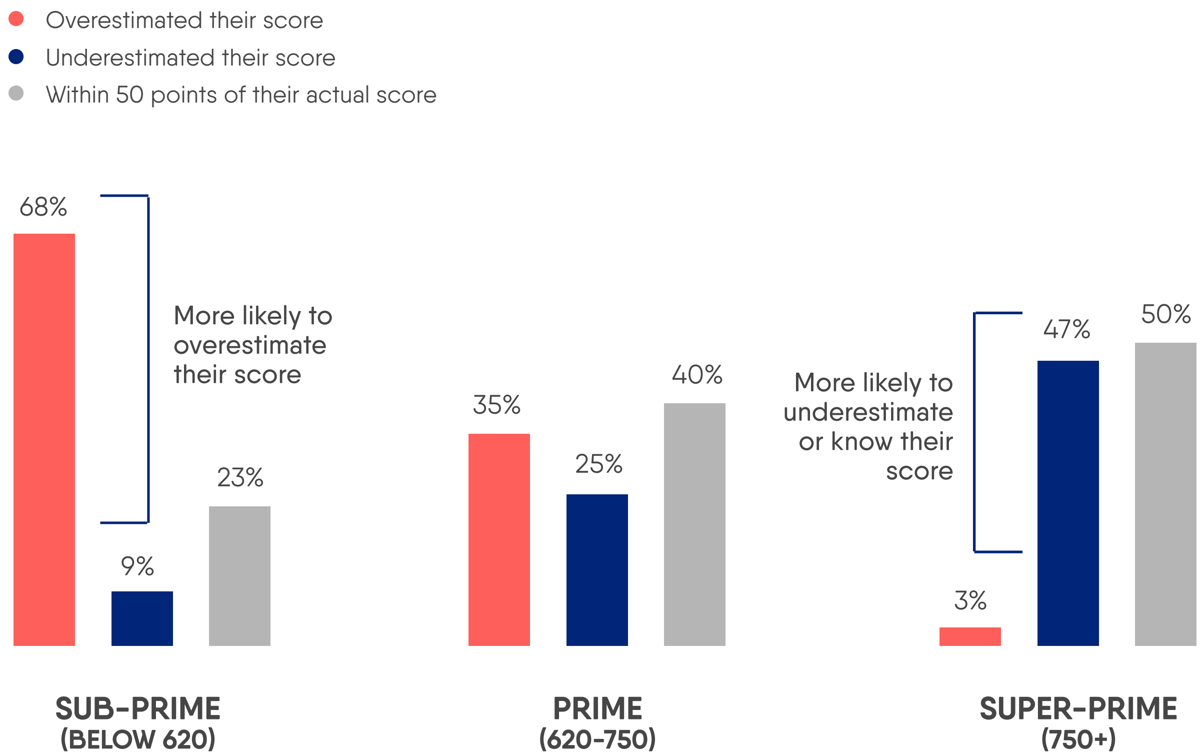
Note: Over 1,700 of our 2,729 respondents opted in to allow our independent surveyor to append their actual credit score data to their survey responses, allowing us to compare their self-reported credit scores to their anonymized actual credit scores.

62% of people who say they know their credit score are actually off by **50 points or more**

The same goes for income: those making over $100,000 a year were only 2 percentage points more likely to accurately report their score than those making under $55,000 a year.

Somewhat surprisingly, bigger differences can be seen if you look at job level: people in **management or leadership roles were more likely to be off by 100 points or more** (45% of them), and less likely to be within 50 points (33%) than those in individual contributor roles at their organizations (36% of whom were off by 100 points and 44% of whom knew their score within 50 points).

Self-reported credit score accuracy by actual credit band



03

PLANNING FOR THE FUTURE

WHAT'S ON THE HORIZON?

Financial wellness is much more than our current financial state. It also takes into account how we feel about our financial futures: how much we're saving each pay period, how retirement savings are building over time, and how we organize spending and saving to support meeting life goals.

Our survey found that a **lack of emergency savings is highly correlated with financial stress** and, unfortunately, the number of Americans who have emergency savings set aside is surprisingly low. There are other tools that some employees utilize to budget and plan ahead -- but when it comes down to putting actual money in the bank, this is clearly an area where people need help.

SAVING HABITS

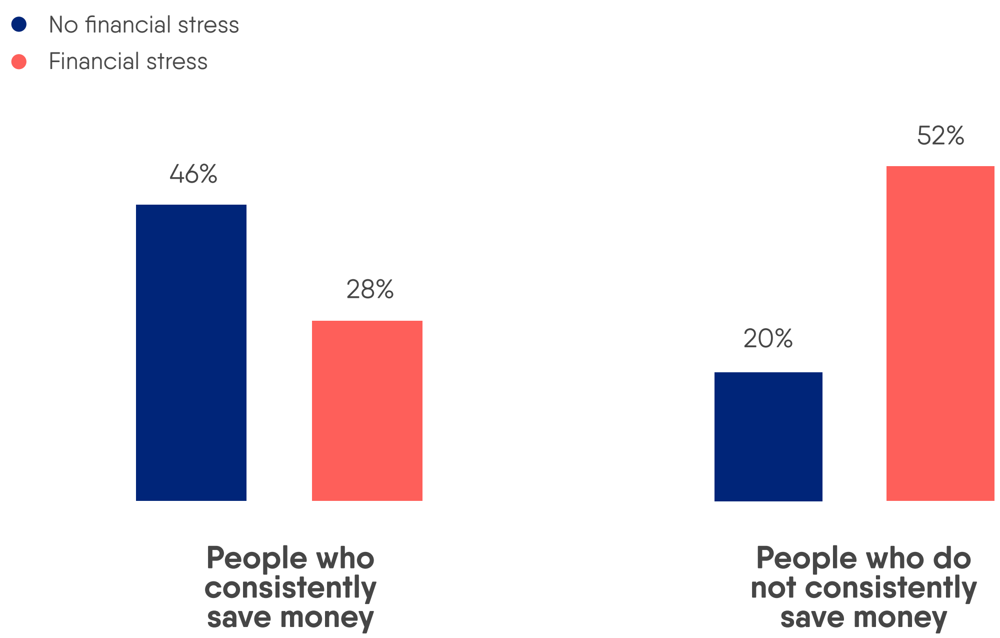
There are three elements to saving: regularity, the amount you save, and the total level of savings. Critically, it is the total level of savings that really matters. Low levels of savings leave people vulnerable to life's unexpected events. Those with low levels of financial wellness live perilously close to financial difficulty: **47%** of those who are financially stressed said they would need to **borrow money within a month** if they were to lose their current income.

The majority of Americans save less than $200 a month -- which would be 12% of the weekly earnings of the average full-time US employee. 41% save $100 or less a month, and **14% save nothing at all**. Of those stressed about their finances, almost half of them report being unhappy with their current level of savings, and are 3x more likely to say so than those without financial stress.

However, it's notable that **36%** of all employees, regardless of financial wellness, say they're **unhappy with their current level of savings**, so this isn't a problem that's restricted to the financially stressed.

48% of working Americans don't have money specifically set aside for emergencies

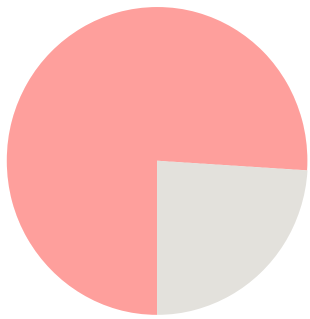
Level of financial stress by savings approach



Regardless of the level of financial stress, almost half of all employees don't have a savings account specifically set aside for emergency savings, which the Urban Institute[1] and others[2] have shown to be an important way for people to achieve financial stability and weather unexpected economic shocks.

43% of those without an emergency savings account are anxious about it, and 49% say they are unhappy with their current level of savings.

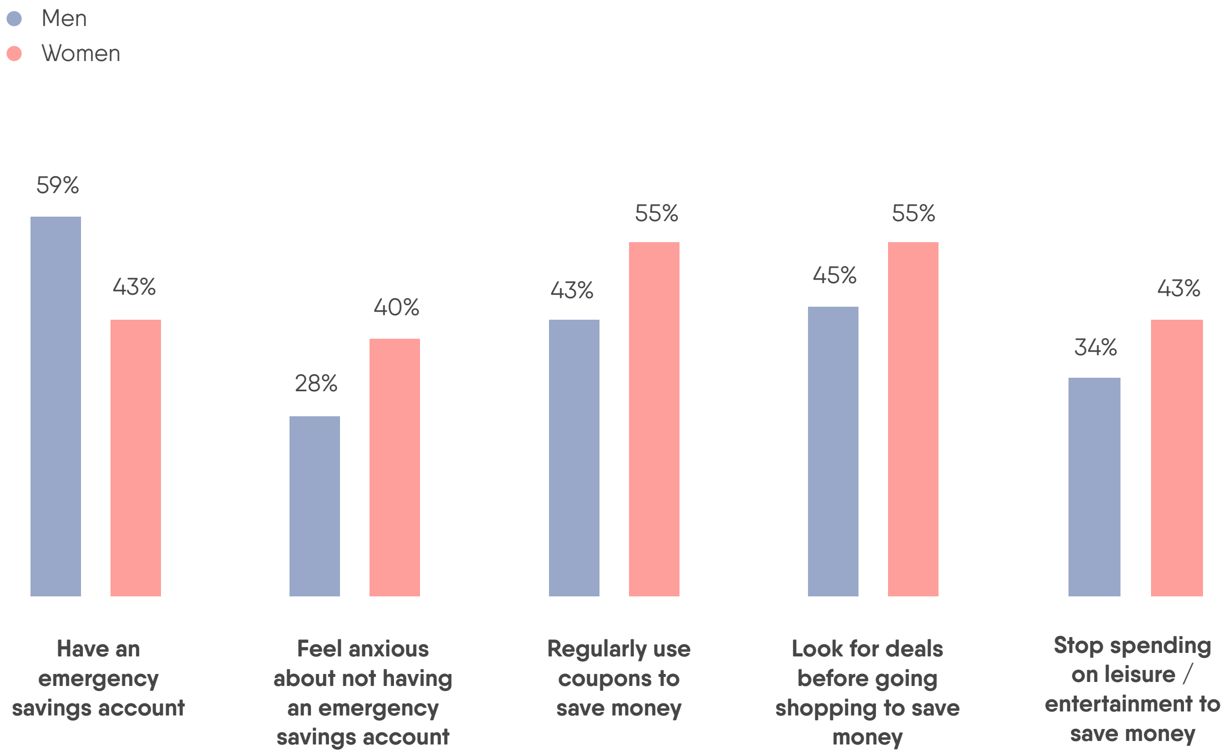
Many people feel discouraged when they've had an emergency savings account that they've had to deplete. The top two reasons for having to do so are **household bills or expenses** (17%) and **medical bills** (16%). After having to deplete their emergency savings account, it took most people between 4-9 months to build it back up to the same level.



76% of people who **don't save** still agree it's a good way to be more secure financially

1 Urban Institute
2 Prosperity Now's 2019 Annual Scorecard

Differences between men and women when it comes to saving money



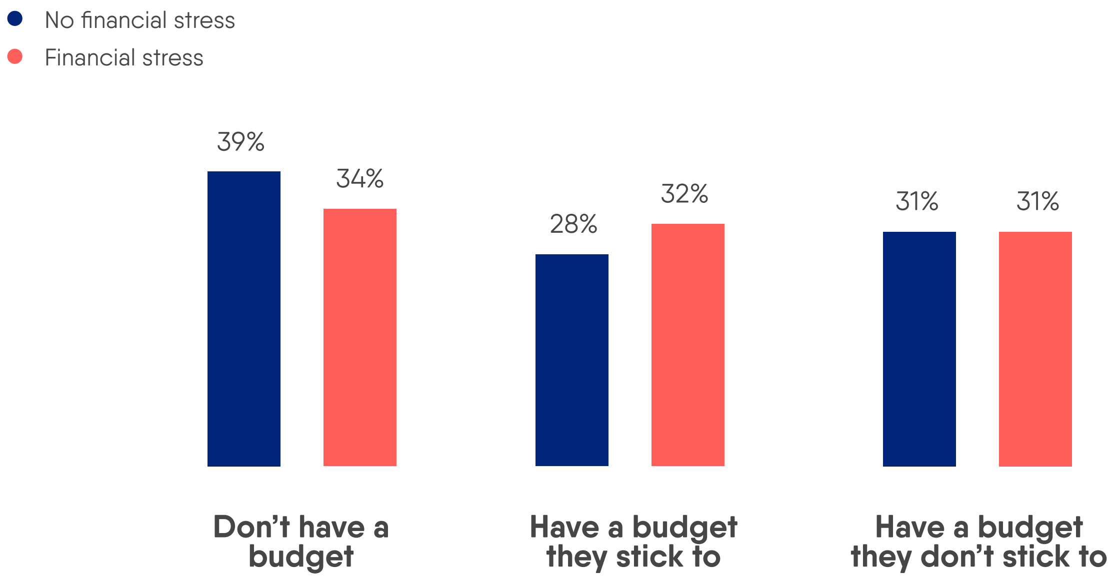
BUDGETING & PLANNING

Our analysis of attitudes toward budgeting found that people are fairly consistent in setting budgets, regardless of their level of financial wellness. It is a common misconception that those with financial issues don't know how to budget, and if they only knew how to budget the problem would be solved. It is not the setting of a budget that is the issue, but sticking to it.

In other words, **it's not primarily about education but about behaviors**. This is further supported by the fact that a larger amount of people without financial stress are able to budget based on instinct, rather than a defined plan.

Budgeting apps and websites are on the rise, and those who are financially stressed seem much more eager to try these solutions. 55% of those with financial stress have tried a budget app or website, and 27% use one regularly. Of those who don't have financial stress, only 41% have tried an app or website, and 19% use one regularly. This suggests that those with financial stress, while more open to trying new solutions, have a harder time sticking with it.

Attitudes toward budgeting



FINANCIAL PRIORITIES

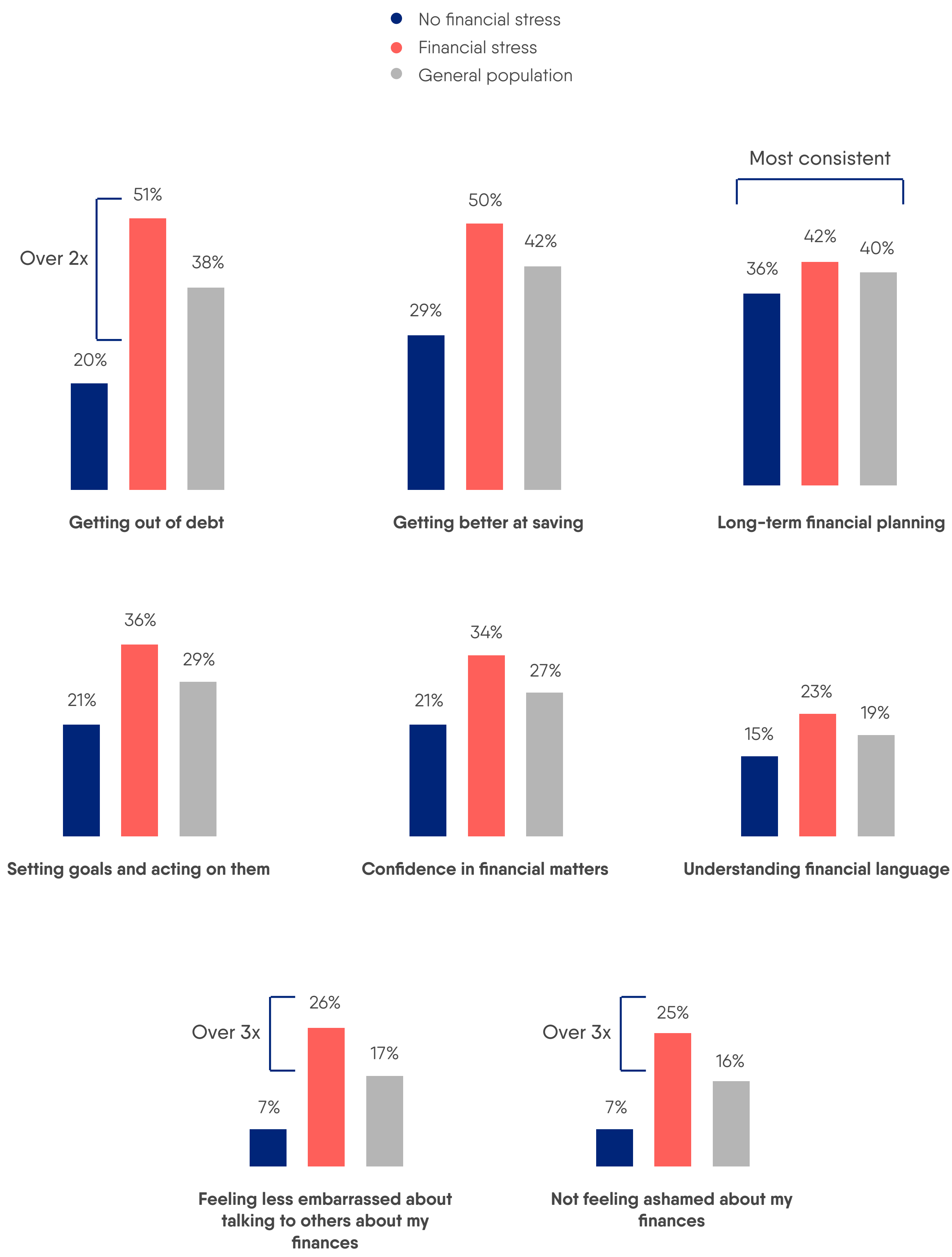
Wanting to save more, better plan for the future, and get out of debt were the most-mentioned financial priorities, regardless of level of financial stress.

People generally have the knowledge and self-awareness about the best ways to be more financially secure: as we noted earlier, 76% of those who don't save still agree that it's a good way to be more secure financially. About the same amount say that money is a "quite" or "very" important part of their lives at the moment.

We see that people with more financial stress prioritize **getting out of debt** above everything else. We also see that it is not true that they have no motivation to save more money or better plan for the future. However, they are over 3x more likely to say they'd like to feel less embarrassed talking to others about their situation and not feeling as ashamed about their finances.

This is important, and overall positive, news for HR leaders who are developing financial wellness strategies for their employees. It suggests that the **core knowledge about good financial habits is already in place**, as well as the intent to improve their financial situation. And for those with financial stress, it's important to foster an open and supportive work environment where they don't have to feel ashamed about talking openly about their financial situation, if they choose to.

What people would like to improve when it comes to their finances



THE BIGGER PICTURE

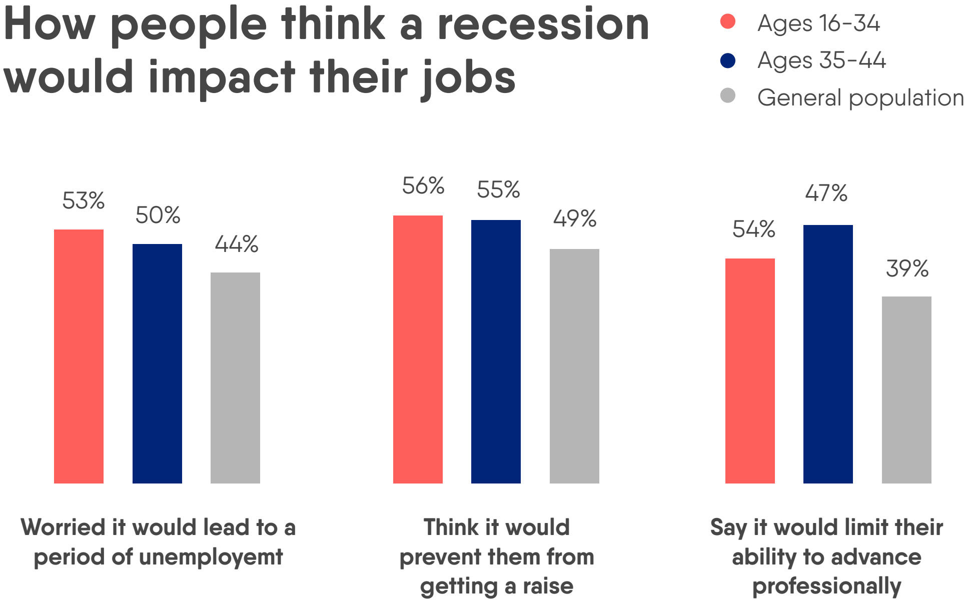
We've already demonstrated that despite relatively rosy headlines when it comes to the US economy, the actual conditions on the ground for working Americans don't match up. So that begs the question: what if, as some economists and pundits are warning, the US economy is heading toward another recession? How do overall economic trends play into employees' sense of financial stability and security?

49% of all employees are stressed by the idea of **an economic recession**. 62% of those with existing financial stress worry about this, and 32% of those without financial stress worry about it.

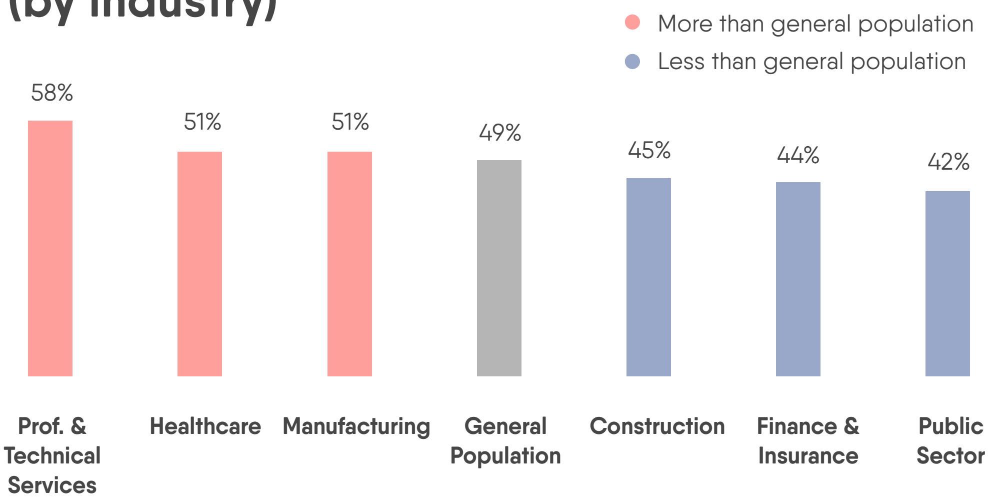
These concerns are more acutely felt by people under the age of 45, perhaps because many of those same people felt the negative impacts of the last recession in the early stages of their careers.

More than half don't feel confident that government-backed safety nets like welfare or unemployment would support them if they did indeed lose their job during a recession. These existential worries are likely exacerbated by the fact that **many people feel they don't have enough money saved to weather a recession**, with 61% of those who make under $55,000 a year saying so, and 53% of women (vs. 34% of men).

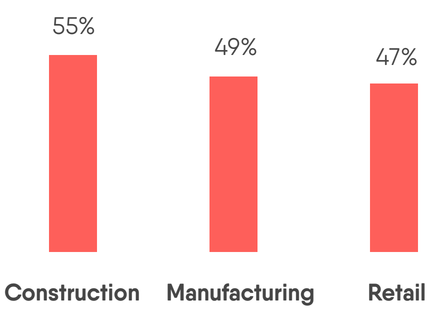
How people think a recession would impact their jobs



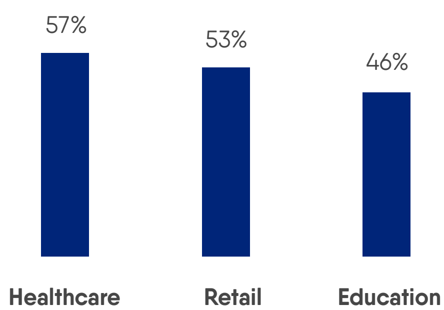
% of employees worried about a recession (by industry)



% worried a recession would lead to unemployment (by industry)



% who say they don't have enough money saved to weather a recession (by industry)



CURIOUS ABOUT YOUR INDUSTRY?
Reach out and we'd be happy to provide you with more data: hello.us@salaryfinance.com

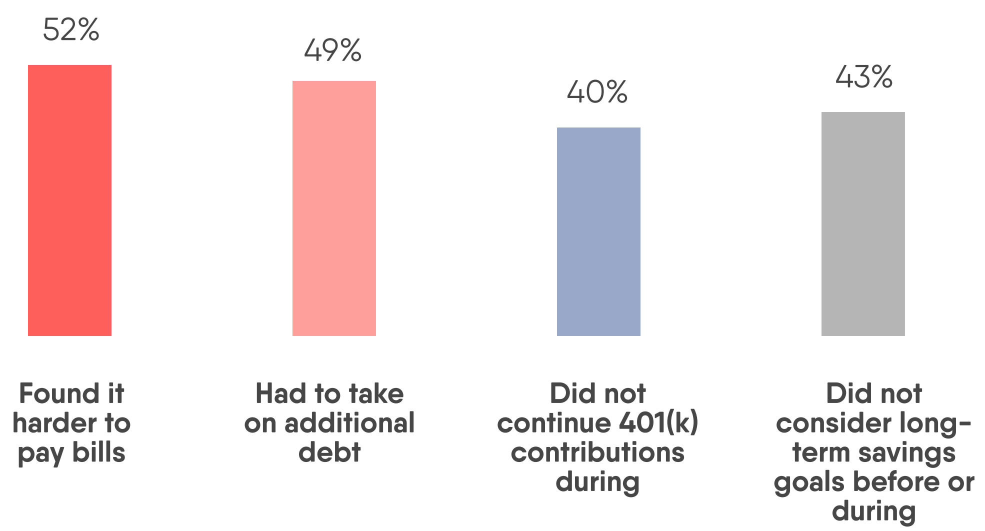
PARENTAL LEAVE

Our survey looked at how the 29% of people who have taken a leave from work due to the birth or adoption of a child (which we'll call parental leave going forward) have or have not prepared for the resulting financial impact. The data suggests that many people, even those who don't report high levels of financial stress, **do not plan ahead for the financial impact of taking parental leave**.

Financial stress can increase for parents after they return to work, with a large amount of people (56%) stating that childcare costs are a source of stress. It's also clear that debt incurred before, during, or after having children is a continued source of stress, with **63%** of parents saying their debt prevents them from spending money on things like **sports or educational activities for their children**.

Thankfully, over twenty-five years after the Family and Medical Leave Act was passed, mandating that large employers offer unpaid leave for employees caring for new babies, a growing amount of working Americans are now gaining access to paid family leave. (Current estimates put the number between 19[1]-27%[2].) That's likely to continue to rise, based on recent milestones like the passage of a bill mandating paid family leave for all federal employees[3]. While mandated paid leave may help alleviate some financial stressors, all employers should have a thoughtful approach to return-to-work programs for employees who decide to take advantage of parental leave, paid or unpaid.

% who experienced these financial impacts due to taking parental leave



1 Brookings
2 SHRM
3 CNN

04

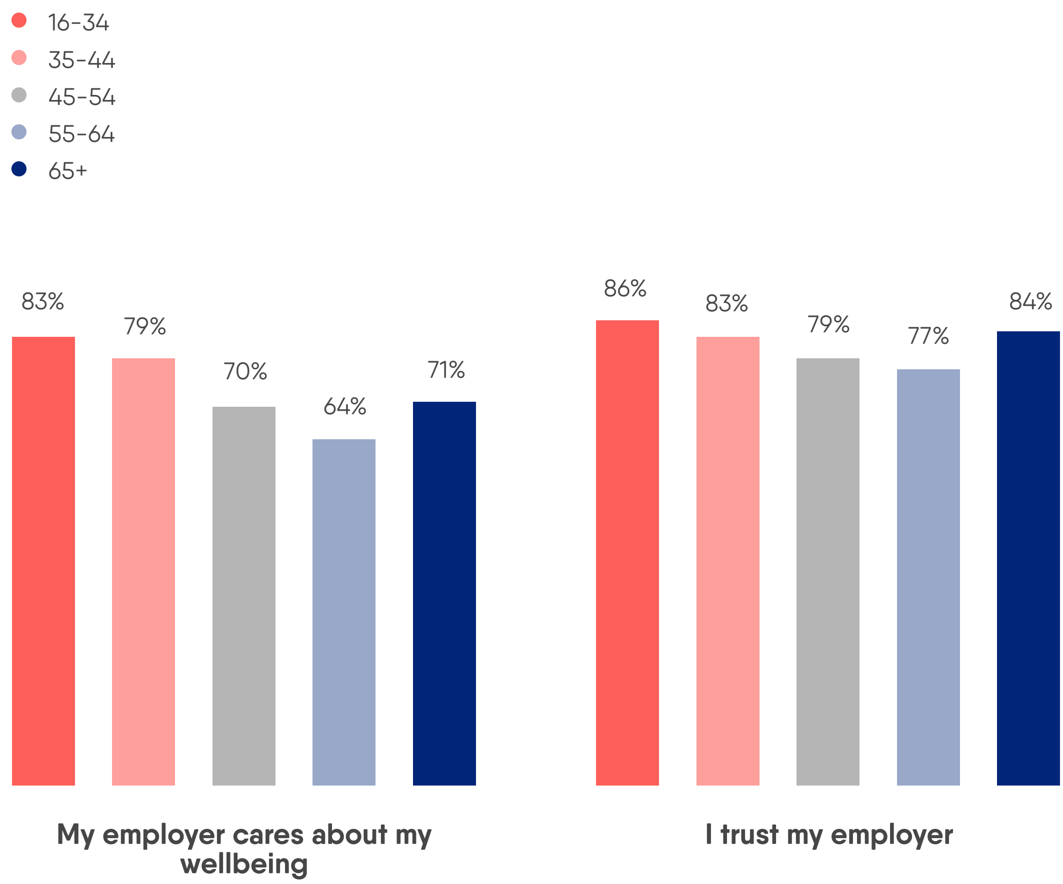
HOW EMPLOYERS CAN HELP

TRUST & CARE

Employees have high levels of trust in their employers and generally believe that their employer cares about their wellbeing. This is consistent across those who do and do not report having financial stress: **79%** of those with financial stress **trust their employer** to keep their personal financial situation private, and **73%** of them say they feel **their employer cares about them** and their wellbeing. The numbers are only slightly higher for those without financial stress, at 82% and 75%.

This creates a powerful role for the employer. As levels of trust for organizations are generally falling, especially for financial institutions, they are still high for employers, putting them in a unique position to help their employees improve their financial situation.

Employee attitudes towards employer (by age)



EMPLOYEE BENEFITS

We asked what benefits were available to employees and what benefits not available to them they would like to see offered. The top three benefits mentioned that were already being offered were health insurance, Employee Assistance Programs, and discounts on company products or services.

When it came to what benefits employees wanted to see offered, the results reflected the areas employees want to improve in financially: with **salary-linked savings**, **earned income access**, and **paid leave for caregiving** among the most mentioned benefits. Discounts on gym memberships, groceries, and leisure activities were also in high demand.

Most commonly offered employee benefits

Health insurance	58%
Employee Assistance Program	29%
Discounts on company products or services	21%
Free or discounted parking	20%
Paid time off for caregiving	18%
Gym membership	16%
Healthcare check-ups during / at work	16%
Discounts on leisure activities	16%
Free or discounted public transit	10%

Most desired benefits by age group

Age group	Most desired benefit
16-34	Earned income access tools
35-44	Discounts on vacation providers or homes
45-54	Salary-linked savings tools
55-64	Healthcare check-ups during / at work
65+	Salary-linked savings tools

UNDERSTANDING EMPLOYEES' NEEDS

THE FINANCIAL FITNESS SCORE

The Financial Fitness Score is based on the responses to 10 questions about behaviors and habits in relation to spending, saving, and borrowing. From these 10 questions, we derive a Financial Fitness Score from 1 to 5 for any individual. We found that **70%** of employees **scoring a 1 worry about their money**, while only 15% of employees scoring 5 worry about money. The higher an individual's Financial Fitness Score, the greater their overall level of financial wellness.

One would expect that the Financial Fitness Score would follow a normal distribution, as is the case for salaries and income level. However, what we see in the survey results is a bi-modal distribution where there are two peaks, one at 2 (**Copers - 46% of employees**) and one at 4 (**Planners - 33% of employees**).

The mix of fitness scores amongst employees has changed since our 2019 results: in 2020, we see a 12% increase in the amount of Copers and a 5% decrease in the amount of Planners, which could reinforce the notion that **economic conditions are making it harder** even for those who were previously natural Planners to keep up financially healthy behaviors long-term.

A bi-modal distribution indicates that we do not have a single population, but two distinct populations superimposed. When it comes to dealing with personal finances, there is a population of natural Copers and there is a population of natural Planners. A Planner tends to save first and then spend, whereas a Coper tends to spend first and save what is left over.

THE FIVE LEVELS OF FINANCIAL FITNESS

1. Strugglers

Often run out of money before payday

2. Copers

Have virtually no savings and don't have enough to spend on life's little luxuries (an evening out, new sneakers for the kids) without feeling guilty

3. Builders

Have some savings but less than three months, so don't have sufficient resilience to deal with life's unexpected expenses (a new water heater, a vet bill)

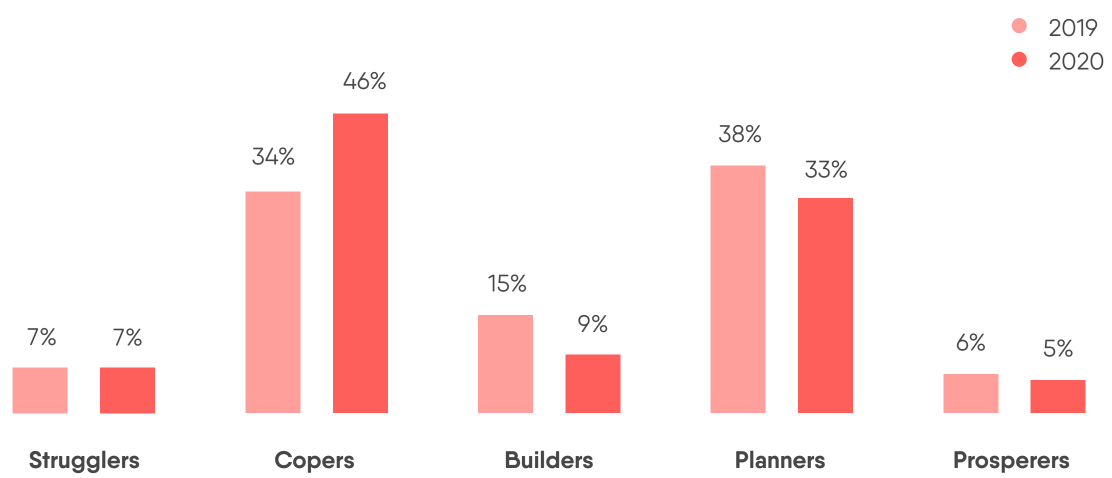
4. Planners

Have more than three months of savings to cope with an unexpected expense and a plan in place to achieve long-term financial goals

5. Prosperers

Finances are not a constraint to living the life they want

A tale of two worlds: Copers and Planners



COPERS IN NUMBERS

62%
are worried about money

39%
are depressed

45%
are anxious

19%
put money aside to save as soon as they get paid

52%
consistently carry credit card balances over to the next month

73%
run out of money before payday

18%
could go 6+ months without borrowing if they lost their income

48%
have taken out a loan from their 401(k)

13%
have taken out a payday loan in the past 12 months

35%
have a sub-prime credit score

44%
want to get themselves out of debt

47%
want to get better at saving

PLANNERS IN NUMBERS

18%
are worried about money

13%
are depressed

17%
are anxious

33%
put money aside to save as soon as they get paid

19%
consistently carry credit card balances over to the next month

23%
run out of money before payday

41%
could go 6+ months without borrowing if they lost their income

21%
have taken out a loan from their 401(k)

4%
in savings and current accounts

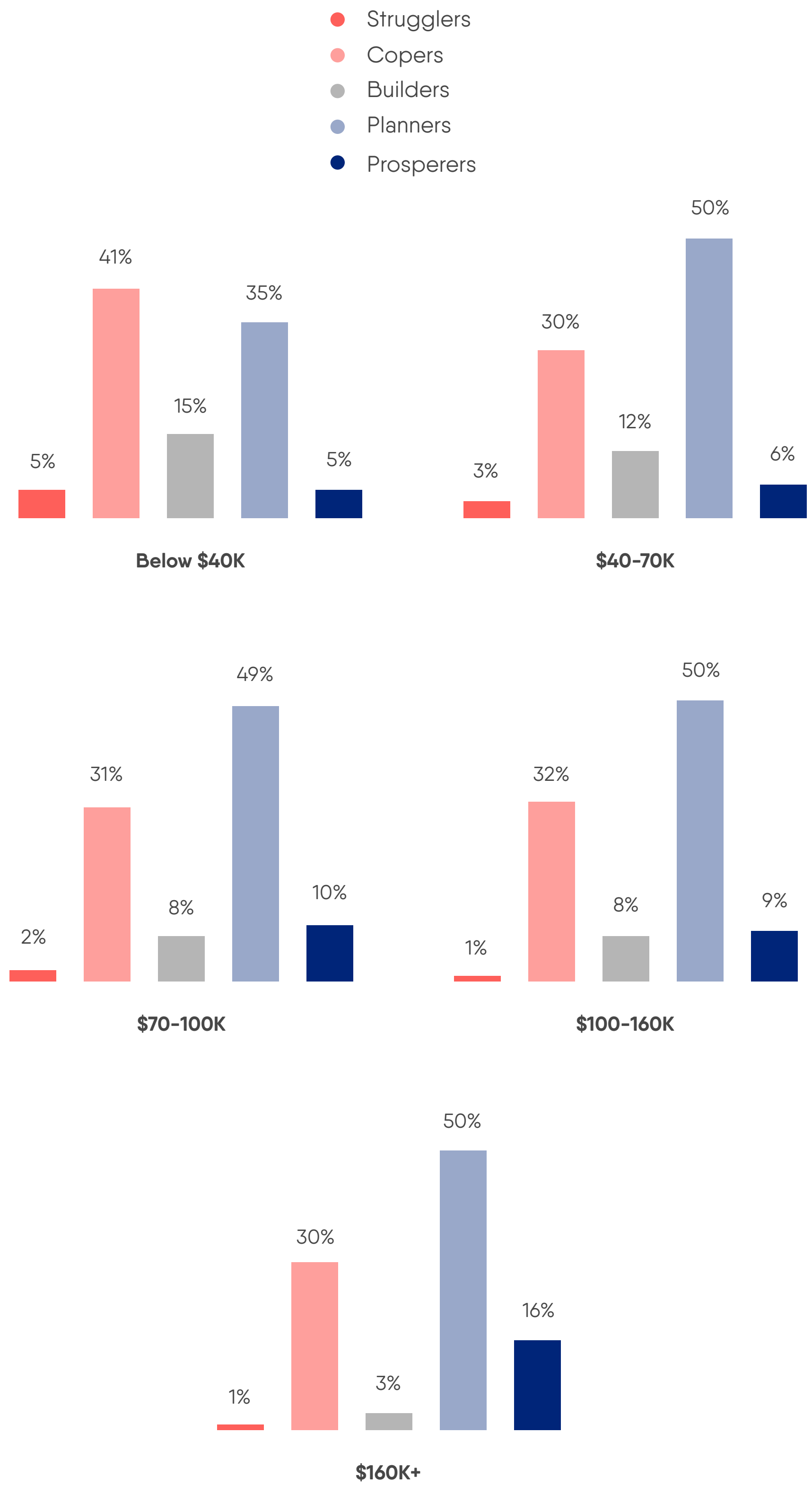
24%
have a sub-prime credit score

27%
want to get themselves out of debt

34%
want to get better at saving

FINANCIAL FITNESS SCORE & SALARY

Looking at the Financial Fitness Score through the lens of salary further supports the idea that high income alone doesn't protect employees from financial worries. Yes, it is easier to have a high level financial wellness if you have a higher salary, but more income doesn't eliminate financial stress.



THE POWER OF THE SALARY LINK

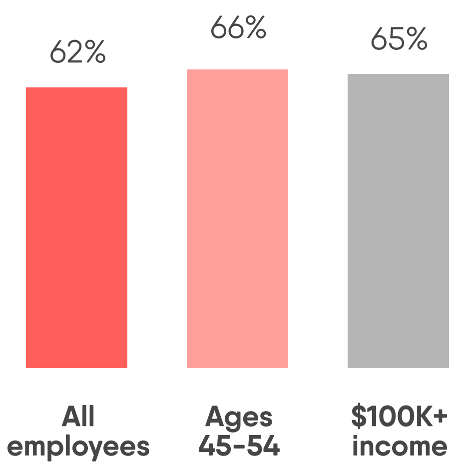
Our research has found that people are inclined towards being natural "copers" or natural "planners" when it comes to their personal finances. The difference between the two groups is not their intent but the systems and habits they follow, and the extent that those habits create financial stability.

Salary-linked employee benefits are powerful. They can help shortcut, or hack, an individual's natural behavior to help them achieve greater financial wellness, all by leveraging the power of the already-in-place payroll deduction system. These benefits can **help natural "copers" look and behave like natural "planners"**.

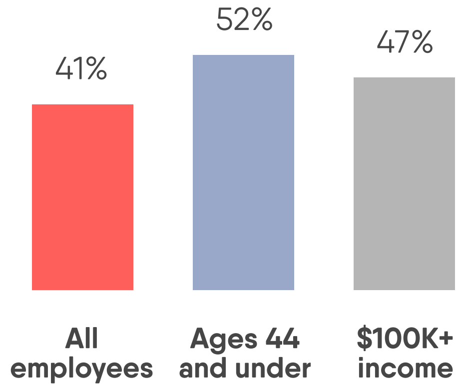
Employees recognize the value of accessing these types of benefits through the workplace, and the helpfulness of the connection with their paycheck.

% of each group who agree that the salary-linked benefit listed would be of value to them

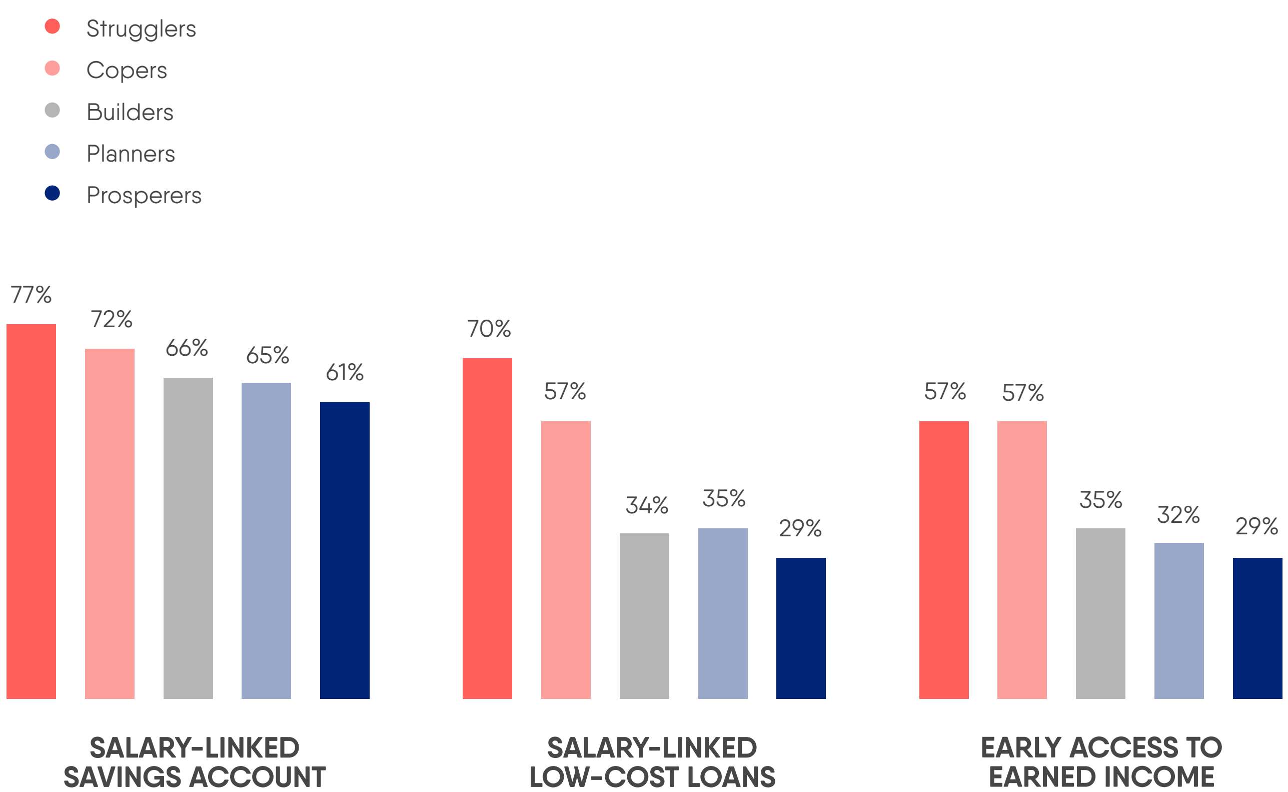
SALARY-LINKED SAVINGS ACCOUNT



SALARY-LINKED LOW-COST LOANS



Level of interest in salary-linked benefits by score



PRACTICAL TIPS FOR EMPLOYERS

After working with hundreds of employers and conducting additional surveys of HR professionals, we've identified a few key steps employers can take to develop and implement an effective employee financial wellness strategy.

1. Know your workforce and build a robust business case

Be sure to take into consideration the various needs of your employees, and build your business case from there. As we've seen, there is likely significant variation in the types of benefits desired and needed across different groups. Consider surveying your employees to understand their preferences and most pressing needs. If you have a population that spans different generations and income levels, a program that would help the majority of employees, like those with credit card debt, may be a good place to start. Ask potential benefit providers about case studies and ROI before committing to anything.

2. Focus on progress, not perfection

We know it can be difficult to know where to start. However, we also know that the financial wellness of your employees will not improve until you make it a priority across the organization. Those that have implemented a successful financial wellness strategy have started by helping those with the greatest need and built a broader program from there. Be mindful of the short-, medium-, and long-term goals of your program. Think about your organization's culture as well as the benefits themselves: what changes need to be made on a cultural level for new programs to take hold? And remember: choose quality over quantity.

3. Communicate to build awareness and show availability

It's key to create a comprehensive and ongoing communications plan to ensure your employees know about these new benefits and how to access them. The most expertly selected range of benefits will have limited impact if employees don't know about them or don't know how to access them. Organizations that communicate frequently, utilizing all of their available channels and delivery methods are shown to have the greatest levels of engagement and awareness. Consider asking your new hires (and/or surveying existing employees) about their preferred communication methods, and tailoring your plan to those preferences for maximum engagement.

4. Measure the impact

Improving the financial wellness of an individual and a workforce takes time and continued focus and resources. This is why it's important to map out the metrics you'll use to gauge the success of your financial wellness program, benefit by benefit, and of the program overall. After you've decided what's most important to report on, work with your benefit providers to set up ongoing impact reporting, which is something they should be enthusiastic about providing you with. Factors to consider include: improved overall employee satisfaction, reduced financial stress levels, improved employee retention, reduced health care costs, improved employee recruitment, and increased productivity.

INTERESTED IN SEEING A SAMPLE IMPACT REPORT?
We'd be happy to share the template we use with our employer partners. Get in touch via email for a copy: hello.us@salaryfinance.com

ABOUT SALARY FINANCE

PUTTING PEOPLE FIRST

Our mission is to help millions of people around the world become financially healthier and happier. We partner with employers to develop financial wellness strategies and provide salary-linked financial solutions to their employees.

PAY OFF EXISTING, HIGH-COST DEBT

Our low-cost employee loans enable employees to borrow responsibly and get out of debt faster. Since repayment is taken automatically through payroll deduction, it's easy to implement and administer ongoing. The average employee saves over $1,000 on interest payments when using their loan to consolidate existing, higher-cost debt.

START SAVING

(Coming in 2020) For employees who are struggling to save or want to start saving more, our Save solution provides employees the ability to save straight from salary with ease, allowing them to build up a savings buffer without thinking about it. Savings can be accessed at any time, so employees can use them in the case of an emergency without penalty.

MAKE FRIENDS WITH FINANCE

Through Salary Finance, employees get access to free financial tools and resources from our partner, United Way, ranging from budgeting tools, hints and tips, and videos. Plus, coming in 2020, employees will get free access to their credit report right from their Salary Finance dashboard.

LEARN MORE
WWW.SALARYFINANCE.COM

GET IN TOUCH

Did you find this guide useful?
We want to know!

We have a dedicated team of financial fitness experts that would be happy to help answer any of your questions about building a financial wellness program at your organization.

Email us: **hello.us@salaryfinance.com**

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