INSIDE THE WALLETS OF WORKING AMERICANS:

THE 3RD ANNUAL REPORT FROM SALARY FINANCE

Salary Finance

Executive summary

Despite the rosy picture of economic recovery painted since the COVID-19 vaccines became available, many Americans have reached, or fallen over the edge of financial precarity. And during a year in which there was more of a spotlight on inequity and efforts to be more inclusive, the financial situation of the most vulnerable populations has become even starker.

Last year, our first report looking inside the wallets of working Americans found that, even among those who were employed and making a steady income, many still had trouble making ends meet financially, or worse, consistently ran out of money before payday and had to turn to high-cost financial alternatives like high-interest credit cards or payday loans, or loans from their retirement savings.

Some things have gotten better… for some people.

Better ability to pay monthly bills and pay down credit card debt are positive outcomes from an otherwise dismal year. Forbearances, payment holidays, and other accommodations are making it easier for people who were already doing okay financially to get a bit further ahead.

But if you dig a little deeper, you find that there are significant differences in those areas depending on the person, **especially when looking across factors like race and gender:**

- **At least 50% of women, Hispanic or Latino people, people identifying as LGBTQ+, and people with disabilities report feeling financial stress.** Similar to last year, 42% of the general working population are experiencing financial stress. 54% of people reported that COVID-19 pandemic has negatively impacted their finances.

- **Only 35% of Black or African-American and 37% of Hispanic or Latino people have at least 3 months' worth of expenses saved.** Close to 50% of the general working population reported having this amount of money saved.

- **Over half of Black or African-American employees (55%) and 45% of Hispanic or Latino employees say they are unhappy with their level of savings (vs. 37% of the general population).** This was a common theme that emerged from the survey: the most vulnerable communities have become increasingly more vulnerable during the COVID-19 pandemic.

Many of those people are providing financial assistance to loved ones who have lost jobs or income. Others lost their own jobs or have seen their income decrease due to the pandemic. And those with children at home have dealt with issues like lack of childcare or school-aged children being out of school that have affected their financial situations and stress levels. All of these realities affect the way that employees perform at work, and how employers respond will dictate the strength of the employer-employee relationship going forward, and have long-term effects on racial and gender equity within their organizations.

Methodology and limitations:
These results are based on a survey of 3,013 Americans. 2,711 of the surveyed group were currently employed at companies with over 500 employees, and the remaining 302 were recently unemployed (less than 12 months). The respondents are distributed across the US geographically and the sample was designed to include representation of key sub-segments including women, Black or African-American people, Hispanic or Latino people, people identifying as LGBTQ+, and people with disabilities. The survey ran from March 1-16, 2021. Survey data comes with certain limitations due to self-reporting, which include telescoping, exaggeration, and selective memory. Citations of this report should read "Salary Finance's 3rd annual report, Salary Finance Inc, 2021."

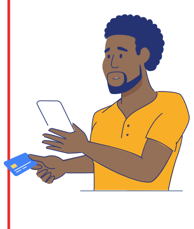
KEY FINDINGS

Our research this year underscored trends we saw starting to emerge even prior to the events of 2020: that working Americans struggle to save money, that financial stress impacts mental and physical health, that fair compensation isn't the only way that employers can support employees' financial wellbeing, and that now, more than ever, the financial struggles that workers face in their home life are brought into their work life, especially for those working in essential job roles or working from home with children. We also studied how these problems were multiplied in scale when looking through the lens of gender, race, disability status, and sexual orientation.

% of working Americans who...

42%

are financially stressed

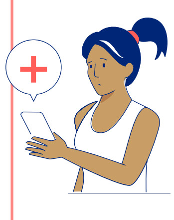


67%

don't have money set aside for emergencies

49%

said that getting better at saving is one of their top financial priorities



48%

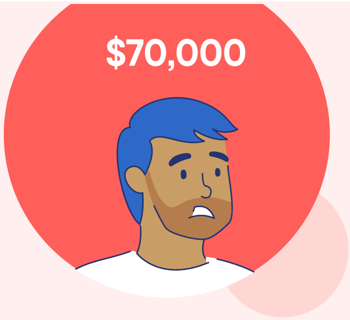
don't have an emergency savings account and are anxious about it

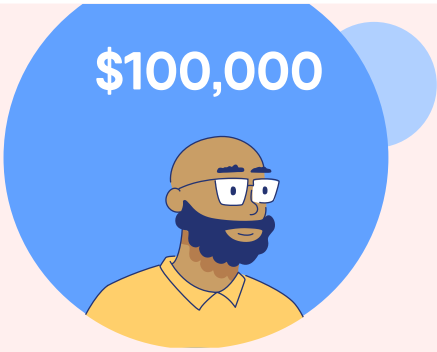
40%

are providing financial assistance to a family member

29%

have outstanding medical debt





Levels of financial stress have worsened significantly for people making under $70,000 and have marginally improved for those making over $100,000

Women, Black or African-American employees, Hispanic or Latino employees, employees who identify as LGBTQ, and employees with disabilities are more likely across most measures to be struggling financially.

THIS REPORT IS STRUCTURED IN THREE PARTS

Part 1: The Stark Reality

We explore the harsh landscape of Americans' personal finances that has been laid bare due to the effects of the COVID-19 pandemic: how it's impacted spending and saving habits, the struggles it's added to the most disadvantaged groups, and how all of this impacts employers.

Part 2: Under the Surface

In this section, we explore some of the ways the most financially stressed Americans are handling their finances, including credit cards and other forms of debt. We also look at how healthcare costs and providing financial assistance to family members impacts financial wellbeing.

Part 3: The Mandate for Employers

We conclude with an overview of employee attitudes toward financial wellness benefits, and how employers can improve employee engagement and satisfaction by prioritizing employee financial wellbeing. We also review Salary Finance's proprietary Financial Fitness Score, and how it can be used by employers to better understand the needs of their workforce.

01: THE STARK REALITY

First, the good news: some of the key areas we researched and covered in the 2020 version of this report actually saw improvements year-over-year: when it came to relationships, health, and work, some people have actually benefited from the conditions COVID-19 created. These people were likely able to spend more time at home with their loved ones, and less on the daily grind. Plus, since opportunities to spend disposable income were largely gone, and accommodations like mortgage forbearances and payment holidays were common, some of them took the opportunity to save more money and improve their overall spending habits.

% of people who...

	2020	2021
Consistently carry credit card balances to the next month	38%	29%
Have recently taken out a loan from their 401(k)	34%	23%
Say they don't have enough to pay monthly housing costs and/or utility bills in full	21%	10%
Took a payday loan in previous 12 months	9%	5%

But there is still a large percentage of Americans who have been negatively impacted by the events of the past year, and the differences are even starker when we look through the lenses of gender, race, sexual orientation, and disability status -- revealing that the longer-term out-comes of 2020 are more complicated than they appear on the surface.

Among working Americans...

51% say that COVID has had a negative effect on their finances

62% say they are more stressed in March 2021 than in March 2020

67% say they don't have money set aside for emergencies or unexpected expenses (up from 48% in 2020)

An uneven playing field when it comes to financial wellbeing

For the first time, our survey included questions on race, sexual orientation, and disability status, so that we could analyze the results across those categories. The differences, in some cases, are striking, and underscore a troubling divide in financial wellbeing between groups. On the coming pages, we'll highlight, where relevant, when a certain demographic group differs strongly from the general population numbers, or where there is a large difference between the numbers for one group vs. another.

Here, we'll set the stage by looking at some key financial wellbeing factors and how those differ across the main demographics surveyed:

% who say, when thinking about their financial situation over the past week, they feel worried or stressed

General population	Men (all)	Women (all)	Black or African-American	Hispanic or Latino	White	LGBTQ+	People with disabilities
45%	38%	50%	40%	53%	43%	53%	61%

% who say COVID has negatively impacted their finances

General population	Men (all)	Women (all)	Black or African-American	Hispanic or Latino	White	LGBTQ+	People with disabilities
54%	56%	52%	55%	57%	53%	65%	67%

% who have at least 3 months' worth of expenses saved

General Population	Men (all)	Women (all)	Black or African-American	Hispanic or Latino	White	LGBTQ+	People with disabilities
48%	55%	43%	35%	37%	52%	41%	40%

% who don't have enough to take care of life's unexpected expenses

General population	Men (all)	Women (all)	Black or African-American	Hispanic or Latino	White	LGBTQ+	People with disabilities
22%	18%	25%	31%	25%	19%	29%	39%

% who are saving less money since COVID-19

General population	Men (all)	Women (all)	Black or African-American	Hispanic or Latino	White	LGBTQ+	People with disabilities
28%	26%	30%	37%	29%	26%	38%	30%

% who are unhappy about their current level of savings

General population	Men (all)	Women (all)	Black or African-American	Hispanic or Latino	White	LGBTQ+	People with disabilities
37%	26%	47%	55%	45%	32%	40%	35%

% who do not agree with the statement, "I feel that my employer cares about me and my wellbeing"

General population	Men (all)	Women (all)	Black or African-American	Hispanic or Latino	White	LGBTQ+	People with disabilities
33%	30%	43%	45%	40%	33%	39%	35%

% of those who provide financial assistance to a family member and say that the amount has increased since COVID-19 pandemic began

General population	Men (all)	Women (all)	Black or African-American	Hispanic or Latino	White	LGBTQ+	People with disabilities
52%	55%	48%	41%	52%	54%	60%	72%

% who say one of their top financial priorities is getting out of debt

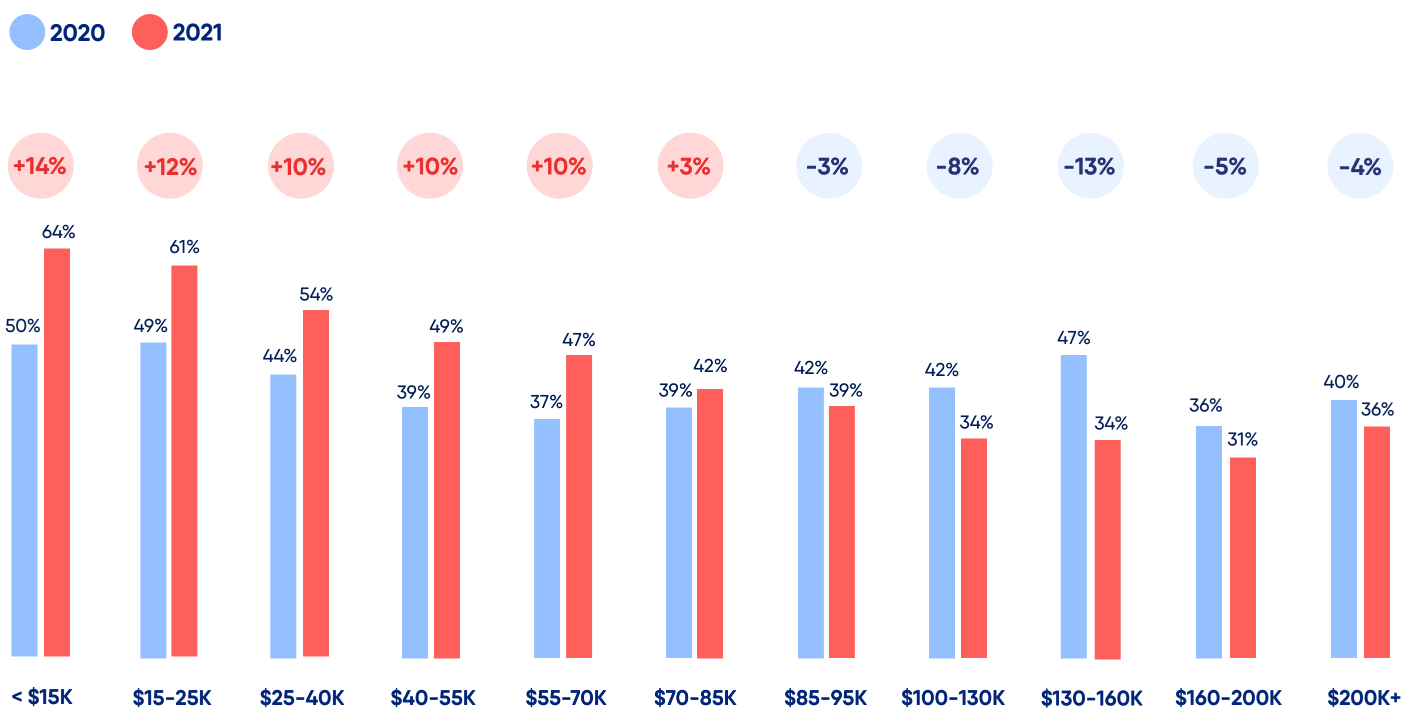
General population	Men (all)	Women (all)	Black or African-American	Hispanic or Latino	White	LGBTQ+	People with disabilities
33%	28%	38%	50%	35%	30%	35%	43%

A growing divide

Last year, we saw a few distinct peaks across the income spectrum when looking at the financially stressed population. This year, there is a clear trend emerging as a result of the confluence of economic and social factors that have taken root or been exacerbated due to the COVID-19 pandemic. More people at the lower end of the income spectrum report financial stress, likely in part due to the income disruptions and job loss seen in industries that employ large percentages of low-to-moderate income (LMI) individuals like retail and leisure and hospitality. These sectors, plus education and health services, accounted for 59% of the total non-farm job loss between last February and May.[1]

And while overall levels of financial stress have dropped at the upper end of the income spectrum in comparison to last year's numbers, over one third of employees making $100,000 or more still report experiencing financial stress, even given the tailwinds many of them likely benefited from in the past 12 months. This shows us it's not just income that predicts financial stress, and paying people more is not the only answer.

% financially stressed across income brackets



How this impacts employers

42%
of working Americans are financially stressed

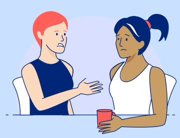
Employees with financial stress are...

2.5x
more likely to be unhappy with their job but planning to stay

4x
more likely to feel stressed in general

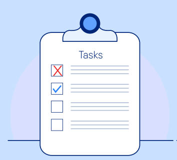
2.3x
more likely to be looking for a new job

9x
more likely to have sleepless nights



4x
more likely to have troubled relationships with coworkers

4x
more likely to have their stress affect quality of work



5x
more likely to not be able to finish daily tasks

Employer-level Net Promoter Score (NPS)[2]:

18
When employee is financially stressed

40
When employee is not financially stressed

Employees who are financially stressed are less likely to recommend their employer to a friend or family member looking for a job.

Employees’ financial priorities

Last year, when asked what areas of their financial wellbeing they’d like to improve, 40% said long-term financial planning, which was generally consistent between employees who were financially stressed and those who weren’t. That answer saw the biggest increase in this year’s survey, with 55% of employees saying that it was a priority. The fallout from the pandemic has clearly left an impression on people, who now recognize the importance of having a longer-term financial plan in place.

Getting better at saving was the second most selected area of improvement: 49% of employees selected it, compared to 42% of last year’s respondents. Getting out of debt was still among the top priorities, but slightly less so than last year, at least among the general population (38% last year vs. 33% this year). However, 50% of Black or African-American employees and 43% of employees with disabilities said it was an area of focus for them. Women were also more likely to prioritize getting out of debt than men, with 38% of them selecting it as a top priority vs. 28% of men.

% of employees who said they would like to improve in each area:

	All employees	Employees with financial stress	Men	Women	Black or African-American	Hispanic or Latino	Employees with disabilities
Long-term financial planning	55%	57%	54%	54%	57%	58%	53%
Getting better at saving	49%	56%	47%	50%	57%	55%	51%
Setting goals and acting on them	37%	44%	38%	36%	39%	39%	40%
Getting out of debt	33%	44%	27%	37%	51%	36%	42%

02: UNDER THE SURFACE

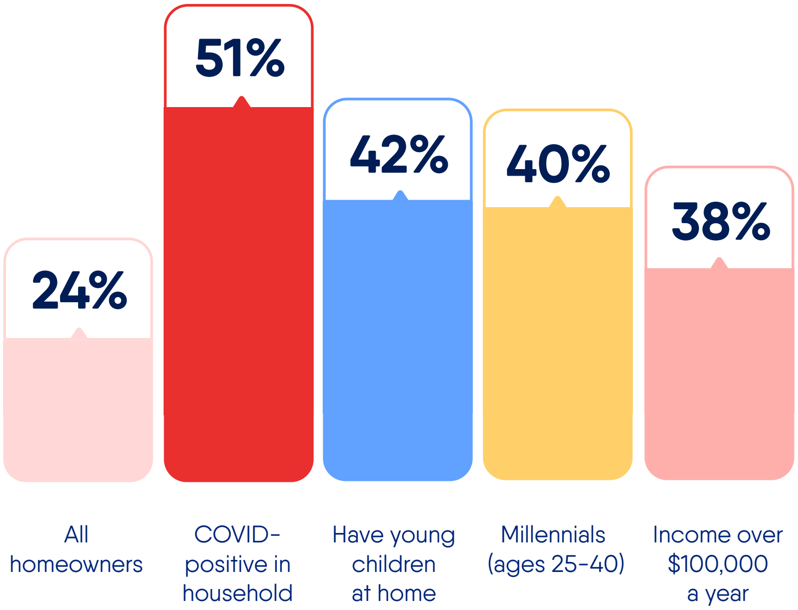
As mentioned in the executive summary, some aspects of employee financial health have improved overall since the release of our 2020 report. However, if you take the time to look beneath the surface, you find that many people were left even further behind as a result of the past year's events: women, Black or African-American employees, Hispanic or Latino employees, employees who identify as LGBTQ, and employees with disabilities are more likely to struggle on most measures related to financial wellbeing.

Even people who are still gainfully employed and making a steady income may have seen their personal circumstances change in ways that significantly impact their financial wellbeing. A lack of emergency savings, increasing levels of financial assistance provided to family members, and rising healthcare costs are all troubling trends revealed in this year's results.

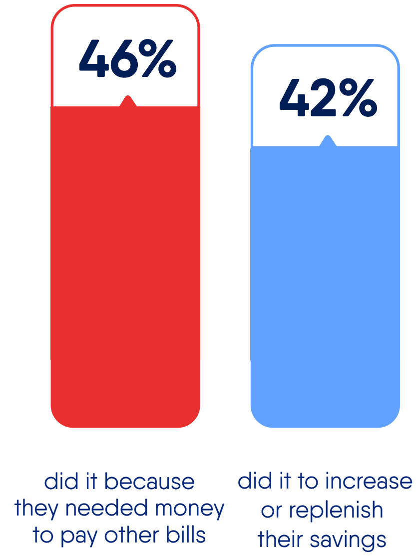
Additionally, many people took advantage of stimulus payments, payment holidays on credit cards or student loans, rent or mortgage forbearances, and other accommodations, but even those weren't enough to make their financial picture whole. And with many such accommodations expiring in the coming months[3], it's likely that the financial situation for these people will only worsen over time. Indeed, one year into the pandemic, one in five renters living with children were not caught up on rent[4], and more than 10 million homeowners were not caught up on their mortgage payments.

Mortgage forbearance usage

% of homeowners who took advantage of a mortgage forbearance in the past 12 months

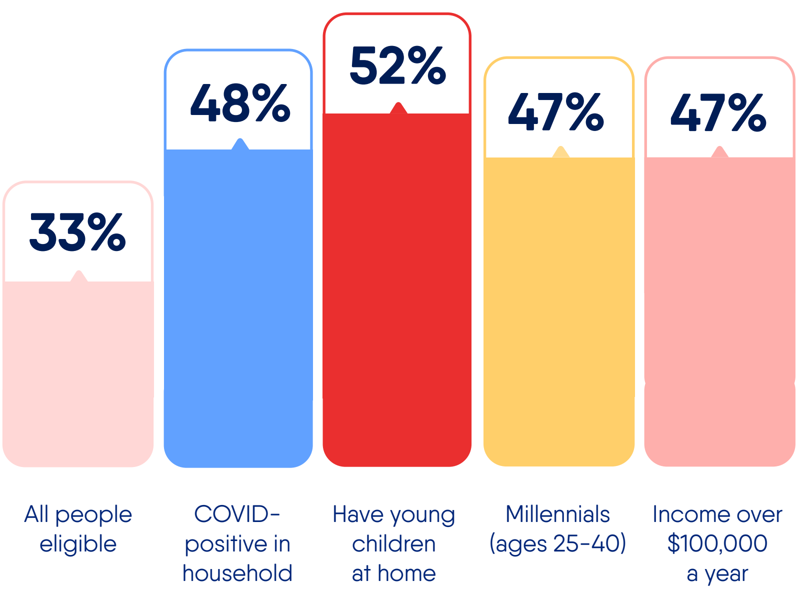


Why they took it

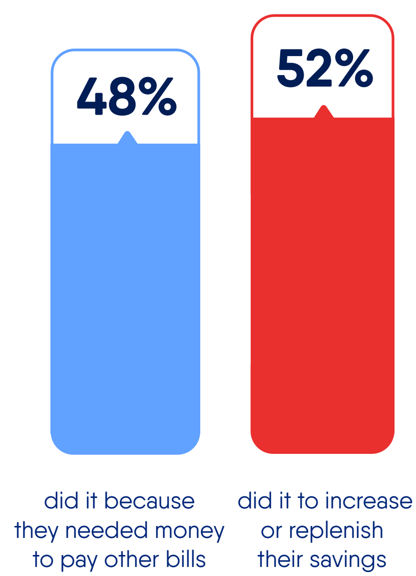


Credit card or personal loan payment holiday usage

% of people who took advantage of a payment holiday on credit cards or personal loans in the past 12 months



Why they took it

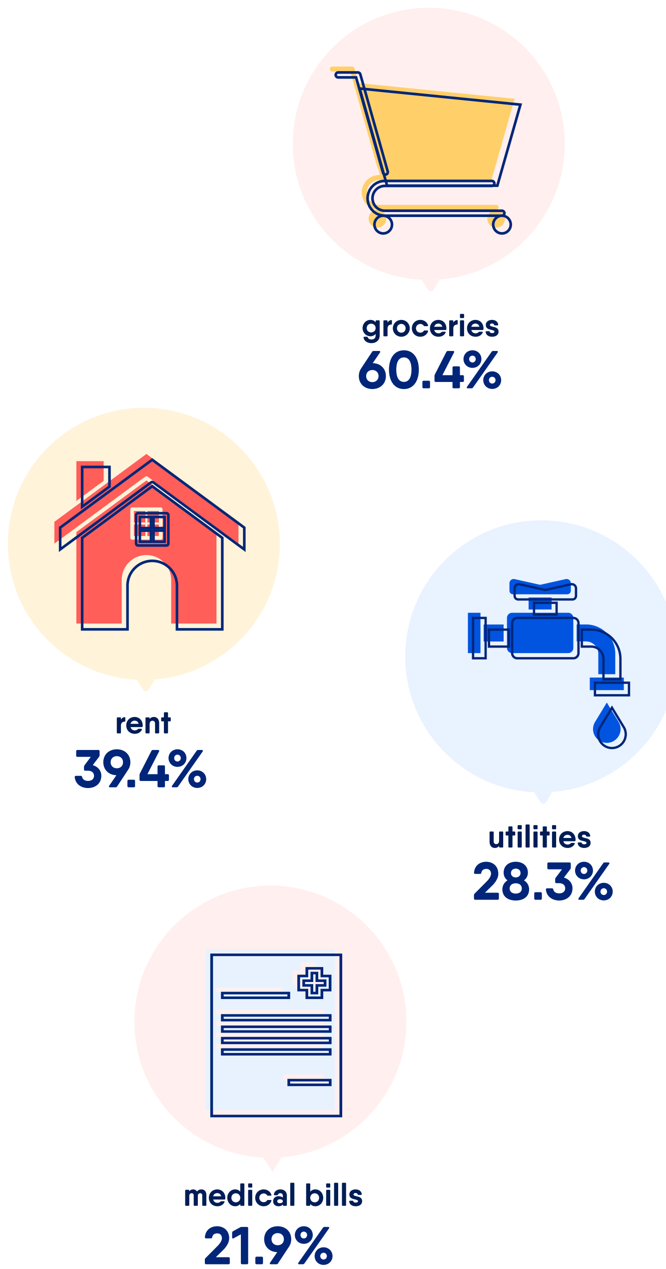


Borrowing habits

65% of respondents had to borrow money in the past 12 months, up from 60% in the year before. The most common method was by using a credit card (used by 51% of these people), followed by taking money out of their savings (39%) and borrowing money from a family member (30%). In last year's survey, less people used credit cards (43%) or had to tap into their savings in order to make ends meet (10%).

When looking just at people who had lost their jobs during the past 12 months (which made up 10% of our overall sample), the most common form of borrowing was from a family member. It's possible that, in a time when lenders were tightening underwriting standards[5], individuals who lost their jobs were already less likely to have credit cards or access to affordable credit, which would make borrowing from a family member a more attractive and/or affordable option. Unemployed people were also more likely to have fallen behind on bills to pay other expenses (18% vs. 11% of employed people), or to overdraft their bank account (13% vs. 10% of employed people).

A recent survey by Medical Alert Buyer's Guide found that when borrowing from family members, the most common purposes were for groceries (60.4%), rent (39.4%), utilities (28.3%), or medical bills (21.9%)[6].



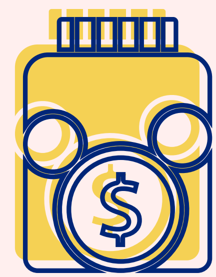
A savings crisis

Some people were actually able to save more money in the past year, given less opportunities to spend disposable income on things like travel and other leisure activities[7], as well as favorable interest rates and accommodations from lenders. But a large segment of the population was forced to dip into or completely deplete what savings they had in order to make ends meet.

One of the biggest changes from last year's survey is the amount of employees who don't have any money set aside for emergencies: in **2020's survey, it was 48%, and this year, it had increased to 67%. Similarly, the amount of people who don't consistently save money went from 14% to 28%.** Unsurprisingly, people who don't save money are more likely to be financially stressed, even those who do save some money but do it inconsistently (i.e. not putting aside some amount from every paycheck).

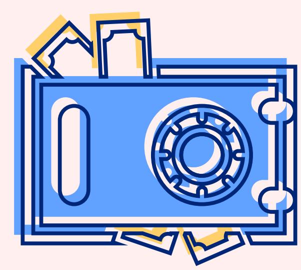
When looking at emergency savings specifically, 46% of employees said they only have 2 months' or less worth of expenses saved. That number goes up when looking just at women (51%), Black or African American people (55%), Hispanic or Latino people (57%), people who identify as LGBTQ+ (55%), and people with disabilities (57%). According to J.P. Morgan Chase & Co. Institute, families need about six weeks of take-home income in savings to weather income disruptions, but sixty-five percent of families lack that buffer[8].

46% of employees say they only have 2 months' or less worth of expenses saved



No emergency savings

2020	2021
48%	**67%**



Don't consistently save money

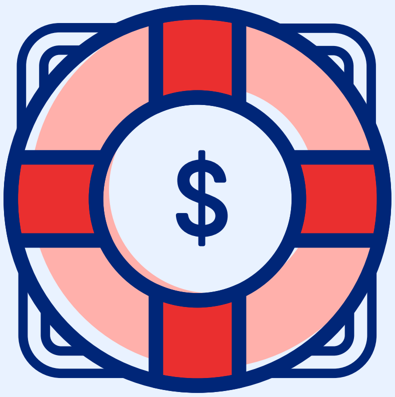
2020	2021
14%	**28%**

Credit cards

Credit card debt went down over the past year at a population level[9], thanks to an overall decrease in consumer spending and stimulus payments that some people used to pay down existing debt. But there's more to the story: mid-pandemic, lenders pulled back credit limits for borrowers who they deemed risky – those with subprime or near-prime credit scores – exactly the demographic more likely to rely on credit cards as a backup form of financing in the event of emergencies or income disruptions. For these borrowers, the reduction amounted to about 30% of their total borrowing capacity[10].

So while people with good credit and higher incomes saw their limits rise and their savings account balances increase, people at the other end of the spectrum suddenly had fewer options and safety nets in a time when they may have needed it most. As mentioned previously, when asked if they took advantage of available payment holidays on credit cards of personal loans, 34% of people did, and many of them did so in order to pay other bills – essentially kicking the can down the road to deal with their existing debt later on. People who consistently carry credit card balances month-to-month were almost twice as likely to take a payment holiday vs. those who never or rarely carry balances on their credit cards.

48% of people who took advantage of a payment holiday on credit cards or personal loans did so because they needed money to pay other bills



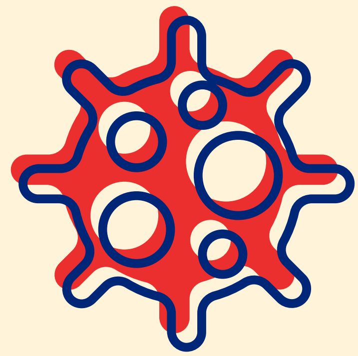
Healthcare costs, medical debt, and the impact of COVID-19

Healthcare costs continue to rise, even for those employees who have employer-sponsored health insurance: according to Kaiser Family Foundation, average family premiums over the past ten years have increased at least twice as fast as wages and inflation. The average worker is paying $5,588 toward the cost of their coverage, and for those in a plan with a deductible, the average deductible was $1,644 for single coverage[11].

As a result, it shouldn't come as a surprise that when people have to utilize healthcare, many of them can't afford it: a third of people have outstanding medical debt for themselves or their dependents. 54% of them say that it causes them stress and worry. 39% of people who have had to deplete their savings said they did so because of medical bills – that's compared to only 17% who said the same in 2020. About a third of people have defaulted on their medical debt, and it's more common among Millennials and people with disabilities. A recent LendingTree survey underscored these findings, showing that 60% of Americans have been in medical debt at some point, either presently or in the past, and the average amount owed is between $5,000 and $9,999[12].

In a year when health concerns were top of mind for many Americans, we also asked about how a positive COVID diagnosis impacted household finances. 57% of people with a positive COVID diagnosis in their household said they spent over $500 in healthcare costs as a result; 39% spent over $1,000. And it isn't just about the initial costs of care: 22% of the COVID-positive cohort said they still suffer from long-term side effects, and 20% lost household income due to getting COVID.

39% of those who had a positive COVID diagnosis in their household spent over $1,000 in healthcare costs as a result



39%

of COVID-positive people spent over

$1,000

in healthcare costs

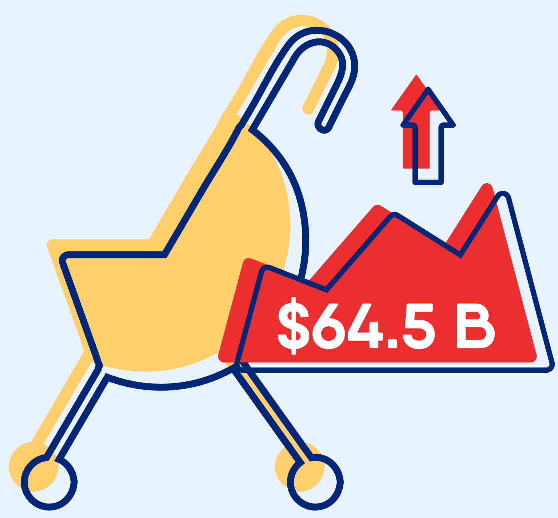
Families supporting families

Another trend the survey results highlighted is that the percentage of employees who are providing financial assistance to a parent, sibling, or child has increased to 40% from 35% last year. Millennials (ages 25-40) are most likely to say they are providing financial assistance to a family member, at 51%, but it's the Baby Boomers (ages 57-65) who are most likely to feel stressed about it (at 49% of them). For this age group, this could take the form of an adult child or children out of work and/or living back at home, while at the same time being responsible for supporting their own aging parents. A separate survey found that, over a few month period in mid-2020, Baby Boomers were giving $1,441 on average to family members in need of assistance, Gen X-ers were giving $1,611, and Millennials were giving $1,347[13].

We also asked how COVID affected the amount of financial support provided; 52% of people said it has increased, for most by more than $100 a month in additional costs. For 31%, it's gone up by over $250 a month. Black or African-American employees who are supporting family members are more likely to say it has significantly impacted their personal finances (41% of them vs. 32% overall).

When looking just at parents of children requiring childcare, 42% of them say that the associated costs make them worried or stressed. 46% say that their childcare costs went up because of COVID-19, and fully half of these people say that the pandemic made childcare arrangements in general more stressful. Over half (52%) said they had to reduce working hours to make childcare work. We also know that this burden falls more often on working mothers: The Center for American Progress found that the amount by which mothers with young children have had to reduce their work hours was four to five times greater than that arranged by fathers[14].

"...[T]he risk of mothers leaving the labor force and reducing work hours in order to assume caretaking responsibilities amounts to $64.5 billion per year in lost wages and economic activity." - Center for American Progress



Retirement savings

For employees who needed financial help in the past year, their existing retirement savings plan was an easy place to look, either to borrow money, withdraw funds early, or to free up cash by decreasing their contribution. While it may be attractive compared to higher-cost borrowing options, the downside is losing out on the additional interest and dividends that money would have earned had it been left in the account or contributed in the first place[15].

Likely encouraged by the CARES Act legislation that waived the typical early withdrawal fees and tax withholding rules for most of 2020, many employees withdrew funds from their retirement plan early in the past 12 months: over a third (36%) of employees did so. 20% of them withdrew over $10,000. Unsurprisingly, financially stressed employees were more likely to withdraw funds from their retirement savings: 44% of them did vs. 29% of people who weren't financially stressed at the time of the survey. The amounts withdrawn were similar for both groups. People who had previously taken out a loan from their retirement savings account were also more likely to withdraw funds early in the past year.

23% of employees overall have taken a loan from their retirement plan in the past, and 8% did in the past twelve months. Most of them said that they did so because it was their least expensive loan option (64%). For a smaller number (15%), it was because another lender rejected their application for credit.

Finally, a fifth of employees with a retirement plan reduced their contribution because of the COVID-19 pandemic - a number that goes up to 30% of Millennials (ages 25-40).

41% of people are nervous that COVID will affect their retirement savings and/or timing to retire

03:
HOW EMPLOYERS CAN HELP

Bolstering trust and care

In last year's survey, we found that employees generally have high levels of trust with their employer when it comes to personal finances, and most believe their employer cares about their wellbeing. The levels of trust pertaining to personal finances did decrease slightly year over year: for financially stressed employees, it went from 79% in 2020 to 71% in 2021, and for employees without financial stress, it went from 82% to 80%.

Overall, these levels are still very high, especially in relation to other institutions that employees interact with. Edelman's Trust Barometer for 2021 reinforced these findings: employers are still a "mainstay of trust", with 72% of people saying they trust their employer, vs. 45% who trust the media or 42% who trust the government[16]. Now more than ever, employees clearly look to their employer for stability, support, and guidance in a changing world.

We also asked if employees feel that their employer cares about them and their wellbeing. The numbers here took a steeper dive year over year: while last year, 73% of financially stressed employees said they feel their employer cares about them and their wellbeing, this year only 58% of employees said the same, while the number for employees who weren't financially stressed only decreased from 75% to 73%.

This implies that a large segment of employees who are dealing with financial stress are not feeling heard or supported at work in this area, and that's affecting the way they view their relationship with their employer.

There are also some troubling differences in level of perceived care and trust among groups of employees who may already be underrepresented within organizations, and who, as we saw earlier in this report, are more likely to be struggling financially. There is clearly an opportunity for employers to focus on better understanding and supporting these employees' needs, which we'll explore later in this section.

Employee attitudes toward employer

	% who agree with the following statement:	
Demographic group	"My employer cares about me and my wellbeing"	"I trust my employer to keep my personal financial situation private"
Overall	63%	73%
Men	70%	80%
Women	57%	70%
Asian	50%	63%
Black or African-American	54%	65%
Hispanic or Latino	59%	66%

A deeper look at job and employer satisfaction

When it comes to job satisfaction, this year's survey found that less people are actively looking to leave their job, which makes sense given the overall job market coming out of 2020. When looking at people who aren't financially stressed, only 10% are unhappy with their jobs but planning to stay (compared to 17% the prior year).

But when looking at financially stressed people, more of them are in this category: 26% of them (vs. 27% last year), which means productivity and overall engagement is likely lower among that group, impacting the employer's bottom line.

Comparing those with financial stress to those without vs. general population across job satisfaction

Level of job satisfaction	All employees	Of those who financially stressed	Of those who aren't financially stressed
Feel they may be laid off	5%	7%	2%
Looking to leave	6%	9%	4%
Not happy but staying	19%	**26%**	10%

Employers who act see higher satisfaction

In the wake of events that took place in 2020, including the COVID-19 pandemic and racial justice movements, many employers took action to demonstrate that they value their employees' health and wellbeing. In our research, we focused on whether or not employers introduced new benefits or programs designed to help support or build a diverse workforce. We found employers who did this saw higher levels of employee satisfaction; the overall employer-level Net Promoter Score (NPS)[2] of organizations that did introduce these programs or benefits is 47 vs. 22 for those who did not.

Employers who introduced benefits aimed at supporting or building a diverse workforce see a significant increase in percentage of employees who feel their employer cares about them and their wellbeing.

	% of employees who agree with the statement: "My employer cares about me and my wellbeing"	
	White employees	Non-white employees
Employer introduced DEI benefits	85%	74%
Employer did not introduce DEI benefits	57%	47%

What employers offer & what employees want

In the past year, many employee benefit teams were forced to suddenly rely on virtual enrollment meetings and all digital communication channels, while also dealing with the fallout from global pandemic and social justice movements around the country impacting employees' mental and physical health.

As a result, there were some obvious pivots. Unsurprisingly, the most commonly offered types of employer-sponsored benefits became even more prevalent: health insurance, paid leave for caregiving, and healthcare checkups all saw increases in percentages of employees who say they are offered these benefits.

Salary-linked savings and access to earned wages broke into the top ten, reflecting a continued shift toward financial wellbeing as a focus. Conversely, gym memberships and discounts on leisure activities were the only two benefits in the top ten that saw a decrease, given these were probably some of the easiest benefits to remove from the budget when most gyms were closed and leisure activities put on pause.

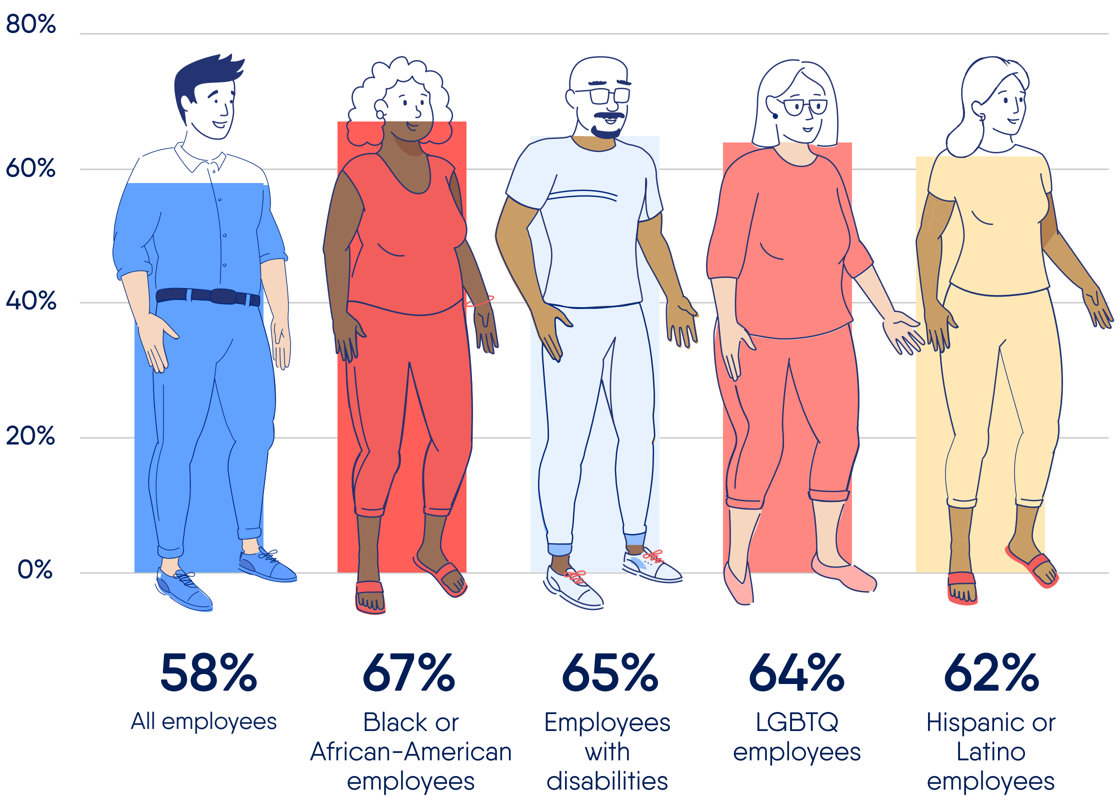
Top ten most commonly offered employee benefits

	2020	2021
Health insurance	58%	62%
Employee Assistance Program (EAP)	29%	30%
Discounts on company products or services	21%	24%
Free or discounted parking	20%	24%
Paid leave for caregiving	18%	22%
Healthcare check-ups during / at work	16%	22%
Gym membership	16%	15%
Salary-linked savings ↑	12%	15%
Discounts on leisure activities	16%	15%
Access to earned wages ↑	9%	13%

There was also a correlation between employee satisfaction and financial wellness benefits being offered: employer NPS was about 1.5 - 2 times higher on average when the employer provided access to benefits such as salary-linked savings or loans, earned wage access, or hardship funds.

We asked respondents which employee benefits they were most interested in getting access to that they weren't already being offered. Of the financial wellness benefits we included, the most employees were interested in salary-linked savings, with 58% of employees saying it would be of value to them. Among potentially vulnerable populations, that percentage increased.

% of employees who don't already have access to salary-linked savings as an employee benefit who say it would be of interest to them:



Given this, it makes sense that when we asked what aspects of new financial wellness benefits would be most important to them, the majority of employees said that they would want a benefit to help them save more money. Employees were also interested in benefits that would help them pay down or avoid high-cost debt, and those that would help them understand their money options and manage their cash flow better.

A recent report published in partnership with global HR industry analyst Josh Bersin had similar findings[18]: they saw that emergency savings benefits are still quite rare, with 23% of employees saying they have access to one, although it was the most in-demand benefit of those included in the survey, with 61% of employees saying they would be interested in it. They also found that debt-related benefits are of interest to employees across the income spectrum, et less than 20% of employees have access to one.

% who chose the following options when asked, "If your employer were to offer you a new benefit to help you with your finances, which of the following would you be most interested in? A benefit that..."

(Respondents could select up to 3)

Helps me save more money	58%
Helps me pay down existing or avoid high-cost debt	29%
Helps me understand my money options better	21%
Helps me manage my cash flow better	20%
Includes access to a financial coach / counselor	18%
Includes easy-to-understand financial education	16%
Includes budgeting tools	16%

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 wellbeing.

THE FIVE LEVELS OF FINANCIAL FITNESS

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

Copers Often run out of money before pay day.

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

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.

Prosperers Finances are not a constraint to living the life they want.

A shift upward: less Strugglers, many Copers become Builders

	2020	2021
Strugglers	7%	1%
Copers	46%	18%
Builders	9%	46%
Planners	33%	24%
Prosperers	5%	11%

Financial Fitness Scores by race, gender, sexual orientation, and disability status

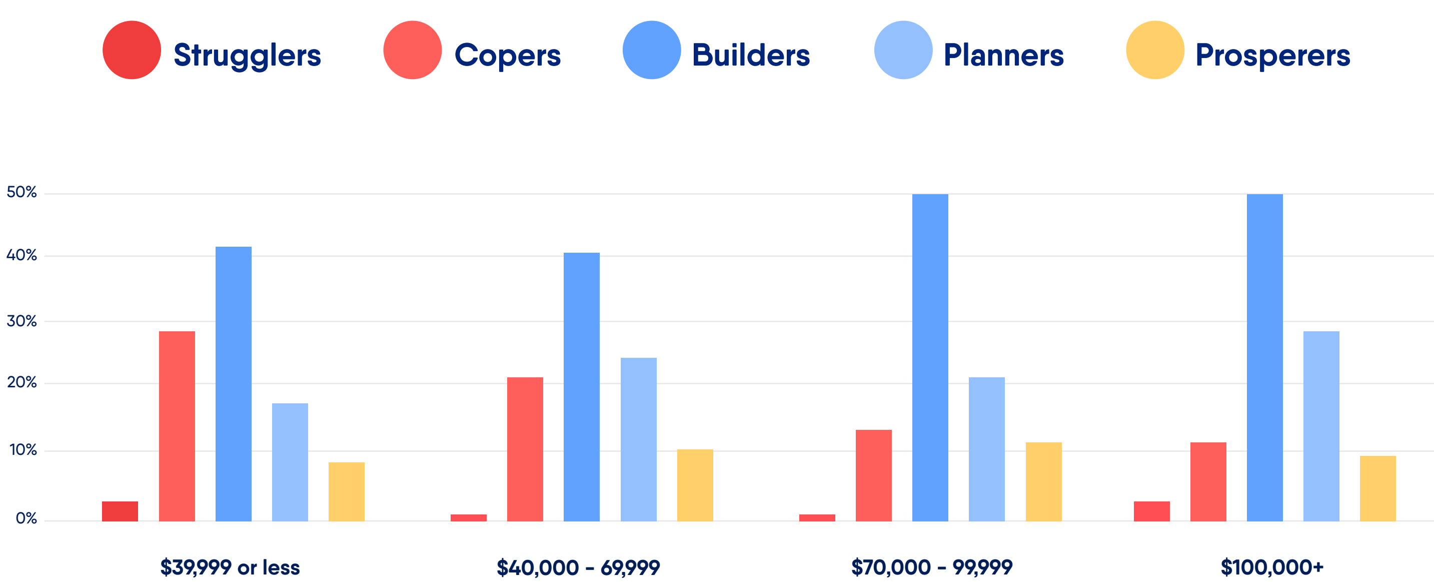
	Men	Women	Black or African-American	Hispanic or Latino	White	LGBTQ+	Employees with disabilities
Strugglers	1%	2%	1%	1%	1%	1%	3%
Copers	13%	22%	28%	25%	16%	16%	24%
Builders	50%	42%	44%	47%	46%	46%	57%
Planners	26%	23%	18%	18%	26%	26%	12%
Prosperers	10%	11%	9%	9%	11%	11%	5%

Copers and Planners by % on the following attributes:

Copers	Planners	
72%	21%	are financially stressed
59%	38%	say that COVID-19 negatively impacted their finances
53%	9%	are depressed
69%	21%	are anxious
15%	47%	put money aside to save as soon as they get paid
44%	25%	consistently carry credit card balances over to the next month
87%	2%	regularly run out of money before payday
13%	83%	could go 3+ months without borrowing if they lost their income
39%	11%	have taken out a loan from their 401(k)
67%	14%	want to prioritize getting out of debt
65%	13%	want to prioritize getting better at saving

FINANCIAL FITNESS SCORE & SALARY

People making less than $40,000 are more likely to be struggling or coping when it comes to their finances, and similar percentages are seen even up to $70,000 annual income. Over the $70,000 annual income threshold, more people fall into the Builders category (50% of them total). People making over $100,000 a year are more likely to be Builders or Planners, with 79% of them falling between those two scores.



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 wellbeing, 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. The Employee Benefits Research Institute’s recent survey of employers also reflected the growing interest in these benefits, as shown below.

	% of employees interested in benefit	*% of employers offering benefit*[19]		
		Already offer	Plan to offer in 1-2 years	Not offering, but interested
Salary-linked, low-cost employee loans	40%	24%	26%	19%
Salary-linked savings	58%	20%	31%	24%

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.

Know your workforce and build a robust business case

1

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.

Focus on progress, not perfection

2

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.

Communicate to build awareness and show availability

3

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.

Measure the impact

4

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.

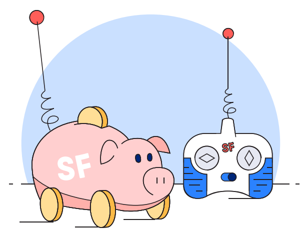
ABOUT SALARY FINANCE

Helping millions of people worldwide save more money and live happier lives

Salary Finance offers a holistic financial wellness program that educates, supports and sustains employees as they move from debt into savings, from financial stress to financial empowerment. The free platform provides financial literacy education and tools, salary-linked savings, inclusive access to affordable loans, and referrals to other resources when the need arises. All of this is at zero cost to employers and employees.

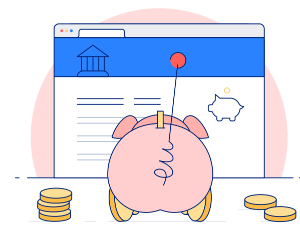
Measure

Helping employees measure their financial fitness and learn how to improve it



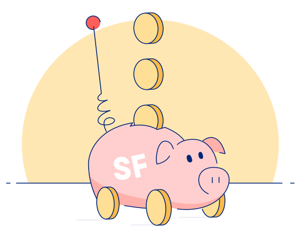
Learn

Helping employees improve their financial literacy and empower financial decisions



Get help

Helping employees access helpul advice through local resources and coaches



Save

Helping employees save money in an easy and automated way, directly from their salary

Borrow

Helping employees access affordable capital through low-interest salary-linked loans

Salary Finance

Learn more by visiting **salaryfinance.com**
or emailing us at **hello.us@salaryfinance.com** to get in touch.

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[2] Net Promoter Score is measured on a scale of - 100 to 100, based on asking the question (in this case): "How likely would you be to recommend your employer to a friend or family member who is looking for a job?" with answers from [0] (would not recommend at all) to 10(would definitely recommend). Then, the number of people who answer between a 0-6 (called "Detractors") and those who answered a 9 or a 10 (called "Promoters") are both rendered as percentages of the total, and the difference between those percentages is the NPS score, as an integer. You can learn more about Net Promoter Score here: https://www.surveymonkey.com/mp/net-promoter-score-calculation/

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