Employee Financial Wellness Survey
2013 results

June 2013

pwc

In this survey

About the survey

PwC's Employee Financial Wellness Survey tracks the financial and retirement well-being of working American adults nation-wide. This year it incorporates the views of over 1,600 adults. The margin of error is +/- 3%. Survey participants are these ages in 2013: 53 to 70 (Baby Boomers), 32 to 52 (Gen X), and 21 to 31 (Gen Y) .

Foreword

I am pleased to present insights from the 2013 edition of our national Employee Financial Wellness Survey.

In recent years, our survey results were a reflection of a struggling economy, unstable financial markets, a depressed housing market, rising consumer debt, a weak employment outlook and low consumer confidence. While the stock market recently reached a new high and other key economic indicators are showing signs of improvement, the results of our 2013 survey, though slightly more positive, indicate that it will take a more sustained recovery before we see a significant positive impact on employee financial wellness.

Generation X struggles

Gen X employees appear to have it worse than others. They are the most likely to find it difficult to meet their household expenses on time each month and the most likely to consistently carry balances on their credit cards. They appear to be the generation that is "stretched the thinnest" dealing with competing financial priorities related to:

- **Homes**—84% who own their home have a mortgage and 34% of those report that the outstanding balance of their mortgage is greater than the current value of their home
- **Children**—67% have dependent children and 54% plan to fund their education expenses
- **Parents**—26% provide care for parents or in-laws and 24% provide financial support

As a result, significantly higher numbers of Gen X employees (36%) think it's likely they'll need to use money held in retirement plans to pay for expenses other than retirement, compared to 20% of both Baby Boomers and Gen Y, which would only serve to worsen an already deficient retirement savings situation. It's no wonder that higher numbers of Gen X employees find dealing with their financial situation stressful and that Gen Xers are the most likely to report that personal finances have been a distraction at work.

Healthcare a greater concern

We see healthcare coverage becoming a greater concern with an increase in employees citing the need to keep their healthcare coverage as a reason for delaying retirement. With life expectancies extending, we believe this concern will only increase over time. Given the rise of consumer-directed health plans, our results show that more than half of the employees with health insurance say they are covered by a high or mid-deductible health care plan; however, the percentage of employees using health savings accounts as a means to meet future medical expenses in retirement remains low, likely the result of a lack of full understanding about how these plans work.

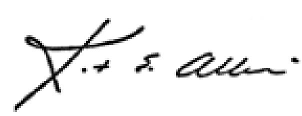
Despite some improvements, cash and debt management still a major issue

While the percentage of employees finding it difficult to meet their household expenses on time each month has decreased since last year, nearly 40% continue to struggle. In addition, one in five employees is using credit cards to pay for monthly necessities they can't afford otherwise. Interestingly, those numbers are even greater at the higher income levels, which may be the result of people still suffering from having overextended themselves during more prosperous years. It will be interesting to observe whether a sustainable economic upturn will result in a return to the carefree spending of the recent past or if the Great Recession will serve as a catalyst, similar to the Great Depression, causing at least some to live more within their means.

Retirement concerns persist

Nearly half of all employees are planning to postpone retirement, and one in four has already withdrawn money from their retirement plans for expenses other than retirement. While we observed greater confidence this year among employees ages 55+, still significantly less than half are confident they'll be able to retire when they want. Among employees not saving for retirement or saving less than last year, the most frequently cited reasons are other expenses and debt, confirming again that employees are too busy dealing with their current expenses to focus adequately on retirement. This is an area that should be of key concern to employers who may see older, less healthy, less productive and more expensive employees working longer, impacting the bottom line and reducing younger employees' opportunities for advancement.

Overall, while we have seen marginal improvements in certain areas, it appears we have a long way to go before employees can overcome the challenges they face as a result of their past financial decisions and the setback they suffered from the Great Recession. We continue to emphasize that employers need to take a more holistic and proactive approach to improving financial wellness, helping employees deal with the stresses of competing priorities and avoid the tendency to sacrifice their future for the here and now. With employees still feeling the effects of the economic downturn, we believe that employers have a particularly receptive audience and a unique opportunity to drive necessary changes to employees' financial behaviors that will lead to improved financial wellness and retirement preparedness and a more productive and healthy workforce.



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Financial wellbeing

Top financial concerns

When asked about overall financial concerns, not having enough emergency savings for unexpected expenses was again the most frequently cited concern along with not being able to retire when they want to.

Top concerns by generation: For Baby Boomers, the top financial concern is not being able to retire when they want to (cited by 54% of respondents). For Gen X and Gen Y, the top concern is not having enough emergency savings for unexpected expenses (cited by 48% of Gen X and 58% of Gen Y). Not being able to meet monthly expenses is more frequently cited as a top concern by Gen X (28%) than by Baby Boomers (17%) or Gen Y (22%).

Top financial concerns*

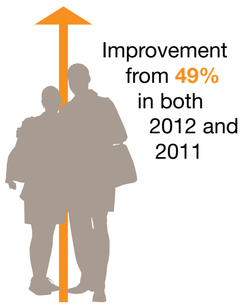
	2012	2013
Not having enough emergency savings for unexpected expenses	54%	49%
Not being able to retire when I want to	37%	45%
Not being able to meet monthly expenses	25%	22%
Being laid off from work	22%	19%
Not being able to keep up with my debts	14%	15%
Not being able to pay for college	6%	5%
Other	4%	5%
Losing my home	7%	4%

**Respondents could choose up to two answers to this question.*

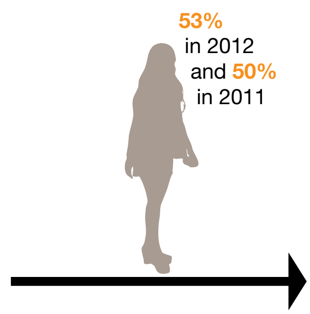
Cash and debt management

Meeting expenses and debt issues continue to challenge employees in 2013 despite some improvements from last year.

38% find it difficult to meet their household expenses on time each month.



48% consistently carry balances on their credit cards.



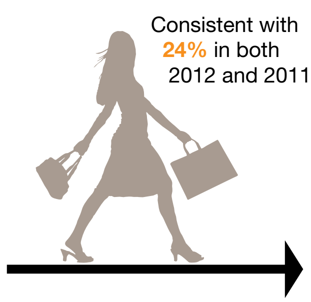
Of those who consistently carry balances, 34% find it difficult to make their minimum credit card payments on time each month.

By generation: Gen X is the most likely to find it difficult to meet household expenses on time each month (49%) as compared to Baby Boomers (31%) and Gen Y (30%).

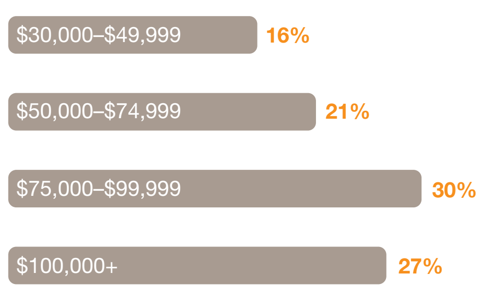
By generation: Gen X is the most likely to consistently carry balances on their credit cards (58%) as compared to Baby Boomers (42%) and Gen Y (37%). Of those who consistently carry balances, Gen X is also the most likely to find it difficult to make their minimum payments on time each month (44%) as compared to 23% for both Baby Boomers and Gen Y.

Of the employees consistently carrying balances on their credit cards, 72% have developed a plan to reduce their debt, an improvement from 59% in 2012. Interestingly, the vast majority (86%) say they developed their debt reduction plan on their own and only 7% used help from a financial professional. On a positive note, 86% of those with a debt reduction plan say they have been following their plan on a consistent basis.

22% use credit cards to pay for monthly necessities because they can't afford them otherwise.



Percentage of employees using credit cards for monthly necessities because they can't afford them otherwise is even greater at higher income levels.



Improvement seen at lower income levels: The percentage of employees using credit cards to pay for monthly necessities because they can't afford them otherwise has increased since 2012 at the higher income levels, while decreasing at the lowest level.

Percentage of employees using credit cards to pay for monthly necessities because they can't afford them otherwise—shown by salary

	$30,000–$49,999	$50,000–$74,999	$75,000–$99,999	$100,000+
2013	16%	21%	30%	27%
2012	25%	24%	23%	21%
2011	20%	18%	29%	34%

Spending habits: 56% have changed their spending behavior in the past 12 months in order to save money on day-to-day necessities (65% had done this in 2012). The most common ways that employees changed their spending behavior in order to save money on day-to-day necessities were starting to use/using more coupons and starting to go without things they had been purchasing.

Of those employees who changed their spending behavior in the past 12 months in order to save money on day-to-day necessities:*

	2013
Starting using/used more coupons	64%
Started going without things you had been purchasing	62%
Subscribed to a deal of the day site	31%
Joined a warehouse club	21%
None of the above	13%

**Respondents could choose up to two answers to this question.*

Homeownership: 76% of respondents own their primary residence and 74% of them have a mortgage. Of those with a mortgage, 96% are current on their payments.

Unfortunately, 28% of employees who are homeowners with a mortgage say the outstanding balance on their mortgage is greater than the current value of their home.

Consistent with 29% in 2012

Of the 28%, 66% have attempted to modify the terms of their mortgage with their lenders (an increase from 61% in 2012), 39% have received a foreclosure notice within the last 24 months (an increase from 29% in 2012) and many are considering pursuing a foreclosure, deed in lieu of foreclosure, or short sale to remedy their situation.

Percentage of employees whose outstanding balance on their mortgage is greater than the current value of their home who are considering various remedies to address their situation:*

	2012	2013
Foreclosure	16%	32%
Deed in lieu of foreclosure	12%	33%
Short sale	19%	21%
None of the above	64%	54%

**Respondents could choose up to two answers to this question.*

Financial stress

Employee financial stress is down slightly, although still high overall. 52% of employees find dealing with their financial situation stressful (down from 61% in 2012 and 2011). 45% report that their stress level related to financial issues increased over the last 12 months (down from 56% in 2012 and 2011).

Financial stress by generation: More Gen X employees find dealing with their financial situation stressful (62%) as compared to Baby Boomers (45%) and Gen Y (49%). 55% of Gen X employees report that their stress level related to financial issues has increased over the last 12 months versus 35% of Baby Boomers and 47% of Gen Y.

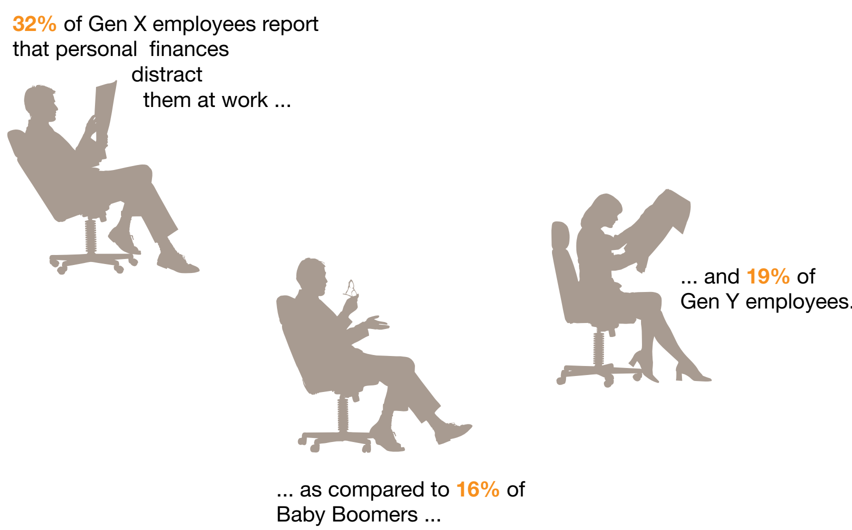
When asked which of the following is more stressful (saving for retirement or budgeting for current needs), overall employees indicated saving for retirement (38%), budgeting for current needs (24%) and equally stressful (37%). Gen Y employees were more likely to report that budgeting for current needs was more stressful (39%) as compared to Gen X (28%) and Baby Boomers (17%).

Finances while at work

Personal financial issues continue to impact employee productivity with 23% admitting that issues with their personal finances have been a distraction at work, although this is down from 2012 (33%) and 2011 (29%).

Of those for whom financial issues have been a distraction at work, 19% say they spend five hours or more at work each week either thinking about or dealing with issues related to their personal finances.

Gen X employees were the most likely to report that personal finances have been a distraction at work.



Planning for the future

Retirement

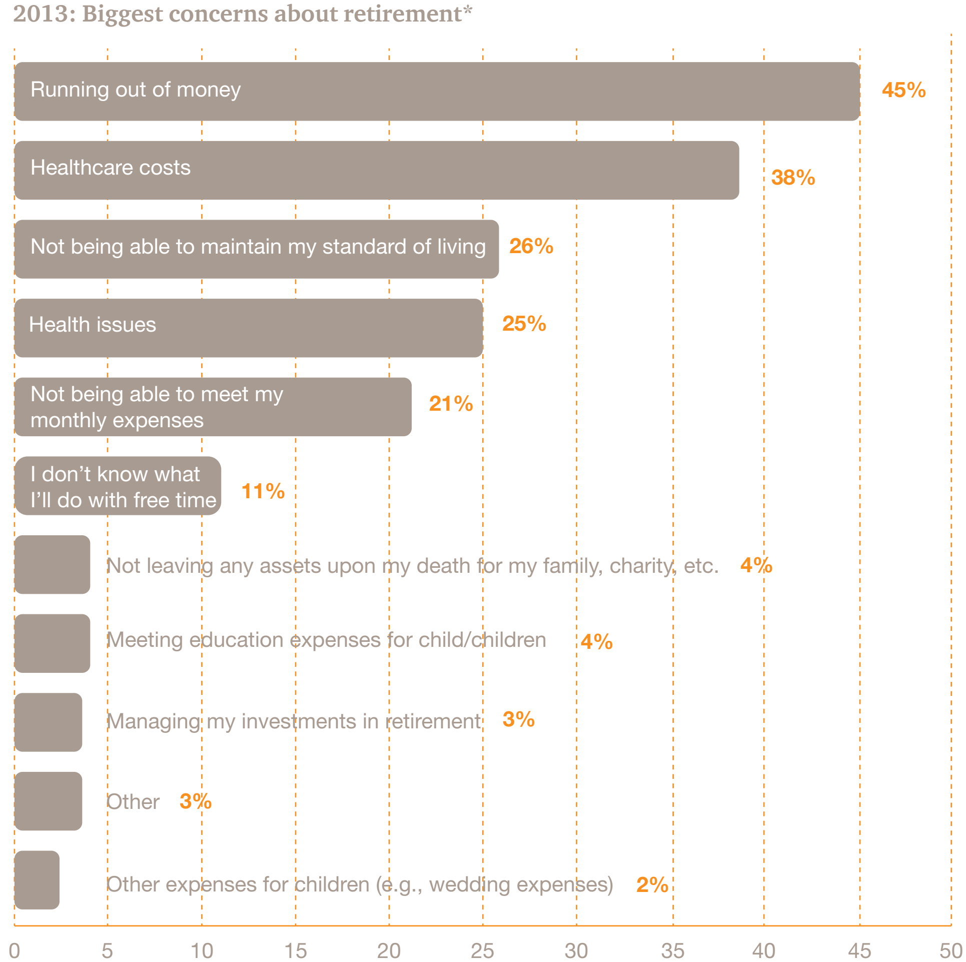
Retirement confidence: 35% of employees are confident they'll be able to retire when they want to (27% in 2012 and 33% in 2011). Retirement confidence remains lowest for employees ages 45 to 54 (24%).

Retirement confidence by age

	2011	2012	2013
Age 21 to 34	41%	38%	36%
Age 35 to 44	38%	24%	37%
Age 45 to 54	24%	21%	24%
Age 55 to 64	29%	25%	37%
Age 65+	38%	31%	44%

Concerns about retirement: Employees' biggest concerns about retirement this year are running out of money and healthcare costs.

2013: Biggest concerns about retirement*



Respondents could choose up to two answers to this question.

Delayed retirements: 45% of all employees are planning to retire later than they previously planned (53% in 2012 and 46% in 2011).

54% of Baby Boomers plan to retire later than they previously planned.

Reasons for delaying retirement*

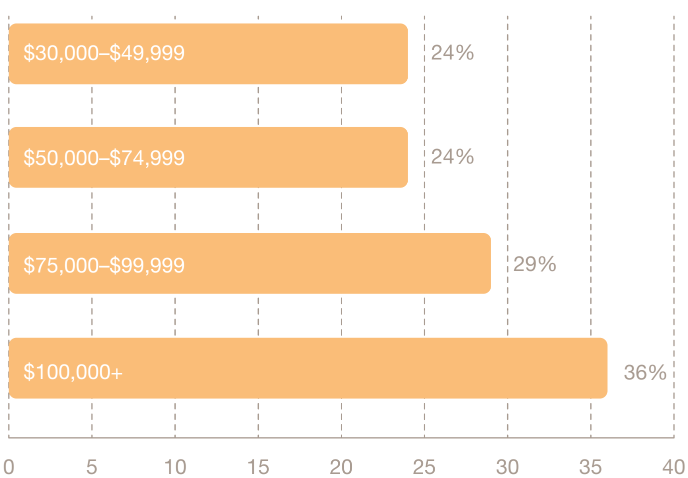
	2012	2013
I haven't saved enough to retire	60%	55%
I need to keep my healthcare coverage	21%	29%
My retirement investments have declined in value	34%	25%
I have too much debt	26%	23%
I don't want to retire yet (prefer to continue working, not ready for the lifestyle change of being retired, etc.)	13%	21%
I am still supporting my children/grandchildren	14%	12%
Other	2%	5%

**Respondents could choose up to two answers to this question.*

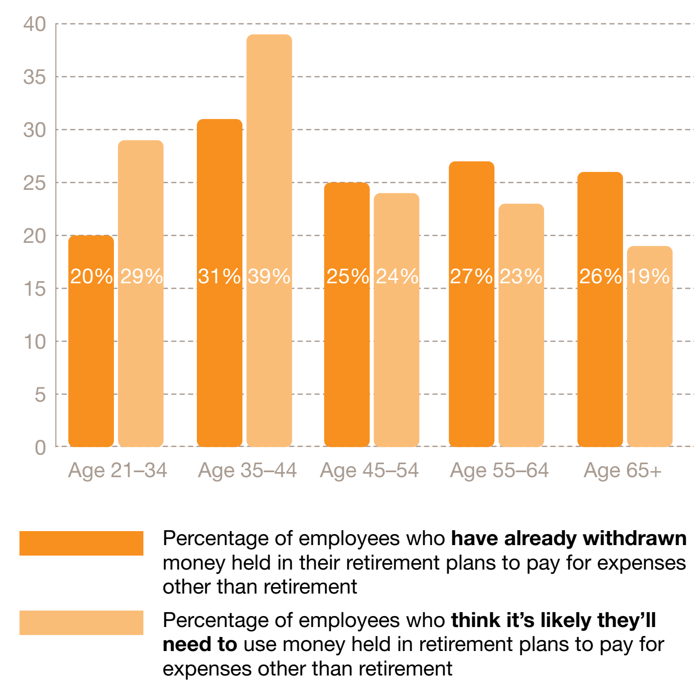
Saving for retirement: 73% of employees are currently saving for retirement (an increase from 67% in 2012 and 65% in 2011).
By generation: Baby Boomers (75%), Gen X (74%), Gen Y (61%) are currently saving for retirement.

However, 26% have already withdrawn money from their retirement plans for expenses other than retirement and 27% think it's likely they'll need to do so.
By generation: Baby Boomers (26%), Gen X (30%), and Gen Y (11%) have already withdrawn money from their retirement plans for expenses other than retirement and Baby Boomers (20%), Gen X (36%), and Gen Y (20%) think it's likely they'll need to do so.

2013: Percentage of employees who think it's likely they'll need to use money held in retirement plans to pay for expenses other than retirement is largest for higher earners:



2013: Employees ages 35 to 44 are the most likely to be taking money from their retirement plans to pay for other expenses:



Among the 26% of employees not currently saving for retirement, the most frequently cited reason is other expenses, followed by debt.

Reasons for not saving for retirement*

	2012	2013
I have too many other expenses	59%	73%
I have debt to pay off	48%	48%
My income is lower than last year	29%	13%
I don't know how to save for retirement	7%	6%
I don't know how much to save for retirement	6%	6%
Other	4%	6%

**Respondents could choose up to two answers to this question.*

Among the 27% of employees saving less for retirement than last year, increased expenses is the top reason cited.

Reason for saving less for retirement than last year*

	2012	2013
My expenses have increased since last year	23%	29%
I have too many other expenses	25%	19%
I have debt to pay off	13%	18%
My income is lower than last year	19%	18%
My retirement accounts have lost value	9%	6%
I don't know how to select appropriate investments	1%	3%
My employer reduced or eliminated the 401(k) match they were offering	3%	2%
I'm uncomfortable with the volatility in the markets	5%	2%
Other	2%	2%
I don't know how to save for retirement	1%	0%

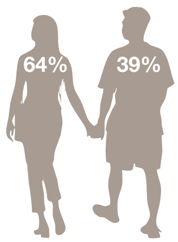
**Respondents could choose only one answer to this question.*

Baby Boomers and retirement: 47% of Baby Boomers surveyed plan to retire within the next five years, yet less than half (45%) of them know how much income they will need in retirement. Of those Baby Boomers planning to retire within the next five years who will be less than 65 when they retire, 66% have a plan for covering their health-care expenses prior to becoming eligible for Medicare.

(43%) of Baby Boomers are confident they will be able to cover their medical expenses in retirement.

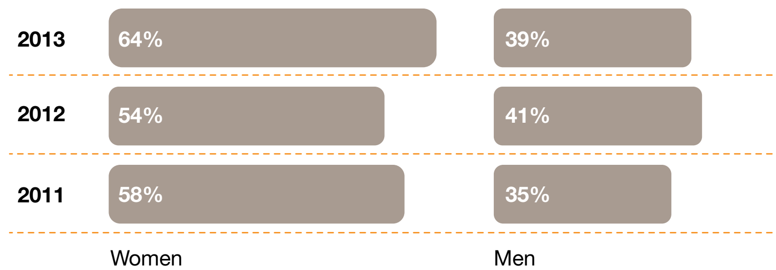
Investing

51% of employees are uncomfortable selecting investments (64% of women and 39% of men).



Gen Y employees are more likely to be uncomfortable selecting investments (58%) as compared to Baby Boomers (51%) and Gen X (48%).

Percentage of employees uncomfortable selecting investments—by gender



Risk management and insurance

Life insurance: Less than half (43%) of employees have evaluated their life insurance needs within the last 12 months (47% in 2012 and 44% in 2011).

Disability insurance: 50% of employees indicate that they are covered by disability insurance (56% in 2012 and 48% in 2011). While more than half (52%) of Baby Boomers and 53% of Gen X are covered, only 35% of Gen Y have indicated they have disability insurance.

Property insurance: 54% of Baby Boomers, yet only 39% of Gen X and 33% of Gen Y employees, have evaluated their property insurance needs within the past 12 months.

Health insurance: 89% of employees indicate they are covered by health insurance, 53% of those covered by health insurance are covered by a high or mid-deductible health care plan, and 35% of those covered by a high or mid-deductible plan contribute to a Health Savings Account (HSA).

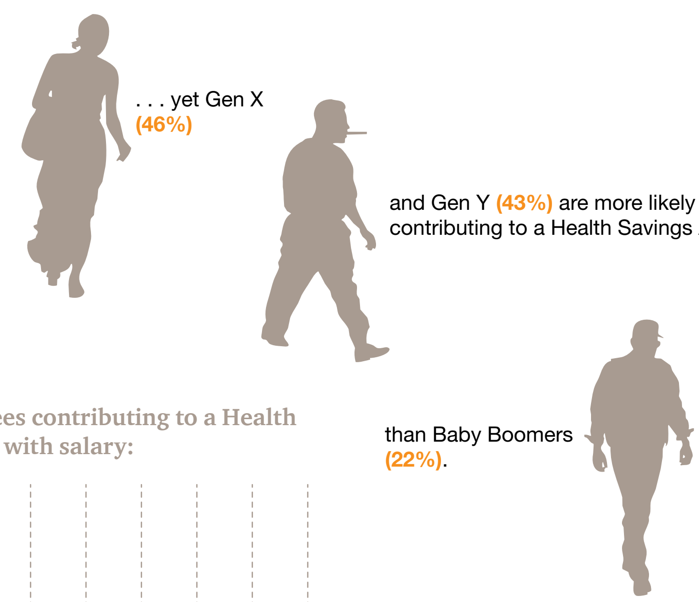
When asked how they plan to use the funds in their Health Savings Account (HSA), 44% indicated immediate/near term healthcare costs, 12% future retirement healthcare costs and 43% both immediate and future costs. Of the 43% who indicated both, 53% said they planned to use the majority of the funds for immediate/near term healthcare costs and 47% said for future retirement healthcare costs.

Among Baby Boomers, 49% indicated they plan to use their HSA for immediate/near term healthcare costs, 13% for future retirement healthcare costs and 38% for both immediate and future costs. Of the 38% who indicated both, 38% said they planned to use the majority of the funds for immediate/near term healthcare costs and 62% said for future retirement healthcare costs.

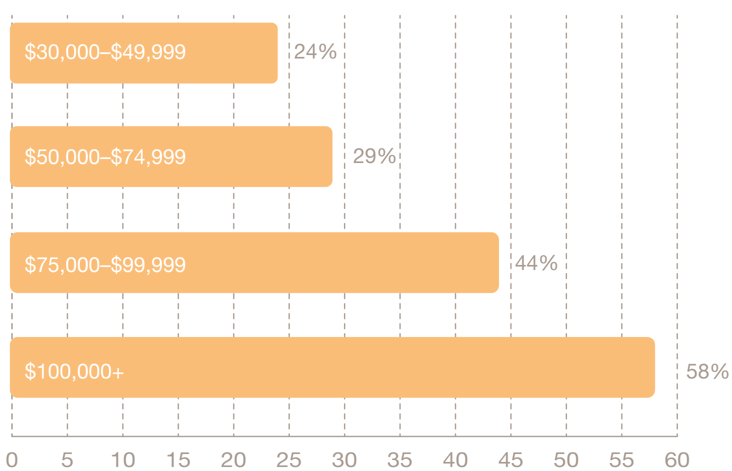
Of those with health insurance who are not covered by a high or mid-deductible plan, only 26% contribute to a healthcare flexible spending account (FSA).

While relatively similar percentages of Baby Boomers, Gen X and Gen Y are covered by a high or mid-deductible health care plan, fewer Baby Boomers are contributing to a Health Savings Account (HSA).

By generation: Baby Boomers (49%), Gen X (56%), Gen Y (57%) are covered by a high or mid-deductible health care plan . . .



2013: The percentage of employees contributing to a Health Savings Account (HSA) increases with salary:



Estate planning

41% of employees have a will (37% in 2012 and 38% in 2011). Even by age 55 to 64 only 46% have a will (63% by age 65+).

By generation: Baby Boomers (51%), Gen X (36%), and Gen Y (19%) have a will.

Of those employees who have a will, 68% have reviewed it and made any necessary updates within the last five years (57% in 2012 and 55% in 2011).

35% of employees have a living will (32% in 2012 and 30% in 2011).

28% have a durable power of attorney for financial matters (31% in 2012 and 28% in 2011) and 30% for healthcare matters (32% in 2012 and 29% in 2011).

74% indicate that their beneficiary forms are up-to-date (71% in 2012 and 70% in 2011).

Education planning

Of those employees who plan to fund education expenses for children, grandchildren, themselves or a spouse/partner:

48% have investigated how much they'll need to meet their education funding goal (**46%** in 2012 and **47%** in 2011)

55% are saving for education expenses (**54%** in both 2012 in 2011)

62% are contributing to a tax-advantaged education savings plan (**40%** in 2012 and **51%** in 2011)

Other

Employer Benefits

56% of employees believe their employer benefit plans are competitive with those offered by other organizations (54% in 2012 and 51% in 2011).

72% say they have a good understanding of their employer benefit and savings plans and the role they play in their overall financial wellbeing (71% in 2012 and 69% in 2011).

By generation: Baby Boomers (76%), Gen X (71%), and Gen Y (65%) have a good understanding of their employer benefit plans.

69% say they review their benefit elections every year and make changes if needed (64% in 2012 and 61% in 2011).

By generation: Baby Boomers (71%), Gen X (70%), and Gen Y (62%) review their elections and make changes.

34% say that their employer offers services to assist them with their personal finances and nearly half (49%) of them have used the services.

By generation: Gen X is more likely to have used the services (59%) versus Baby Boomers (39%) and Gen Y (40%).

Friends and family are the most trusted source for financial guidance followed by independent financial planners who don't sell product. Gen Y relies more heavily on friends and family and Baby Boomers rely more heavily on independent financial planners.

Lifestages

26% of Gen X employees provide care for parents or in-laws and 24% of Gen X employees provide financial support for parents or in-laws.

42% of employees have dependent children, and 58% of them are paying for dependent care expenses. Of those paying for dependent care expenses, 57% are contributing to a dependent care flexible spending account.

Identity theft

17% of employees have been a victim of identity theft (consistent with 15% in both 2012 and 2011). 58% say they would know what to do if their identity were stolen (consistent with 57% in 2012 and 58% in 2011).

By generation: Baby Boomers (10%), Gen X (25%) and Gen Y (13%) have been a victim of identity theft. Baby Boomers (60%), Gen X (59%) and Gen Y (45%) would know what to do if their identity were stolen.

About the PwC Employee Financial Education practice

Whether your employees are stressed over organizational shifts, market conditions, personal life events, or benefits changes, PwC's Employee Financial Education practice works with clients to design and deliver customized financial wellness programs tailored to employee needs and specific employer objectives. Our goal is to empower employees to make educated decisions to improve their financial wellbeing.

www.pwc.com/us/financialeducation

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