

# 2015 Financial Stress Report

## Executive Summary

In 2014, a sizeable number of employees continued to experience "high" or "overwhelming" levels of financial stress, with 23% reporting significant financial stress in both 2014 and 2013, compared to only 18% in 2012 and 19% in 2011.

This high level of financial stress is somewhat of a contradiction with continued improvements in the U.S. economy and lower gas prices, which have contributed to a steady rise in investor and retirement confidence<sup>i</sup>. However, a recent Gallup poll found that Americans are spending more on the things they need most, such as food, health care, and utilities<sup>ii</sup>. The 2015 Stress in America™ study commissioned by the American Psychological Association (APA) shows that stress about money and finances is prevalent nationwide, partly due to increases in the cost of health care<sup>iii</sup>.

With 85% of employees reporting at least some level of financial stress, employers should be on the alert that in some cases, according to the APA study, employees may actually put their healthcare needs on hold because of financial concerns. This is very likely why a recent Aon Hewitt study indicated that 93% of surveyed companies intend to focus on the financial well-being of their employees in a way that extends beyond retirement and 67% are very or moderately likely to communicate to employees how financial stress impacts health and well-being<sup>iv</sup>.

Financial Stress Levels	2009	2010	2011	2012	2013	2014
No financial stress	3%	3%	16%	18%	14%	15%
Some financial stress	64%	65%	65%	64%	63%	62%
High or overwhelming financial stress	33%	32%	19%	18%	23%	23%

According to our findings, financial stress varies dramatically based on employee demographics. The charts below illustrate how gender, in combination with age, income level, and the presence of minor children, can affect an employee's level of financial stress:

### HIGH FINANCIAL STRESS



- Women age 30 to 55
- With minor children
- Income below \$60,000

**55% have high or overwhelming financial stress**

### LOW FINANCIAL STRESS



- Men under age 30 or over age 55
- No minor children
- Income above \$100,000

**6-7% have high or overwhelming financial stress**

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An analysis of factors that contribute to stress revealed that gender is a primary indicator of financial stress, with women being twice as likely as men to report feeling overwhelming financial stress. Even in combination with age, income, and the presence of minor children, gender played a major role in the level of stress reported by users. According to our findings:

- Almost three times as many male Millennials under age 30 reported no financial stress compared to their female counterparts.
- Males with household incomes under \$60,000 a year were more than twice as likely as their female counterparts to report no financial stress, at 19% versus 7%.
- Women's stress levels seem to be impacted by the presence of minor children in the household. Ten percent of women with minor children reported having overwhelming levels of stress, compared to only 3% without children. Men's stress levels seem to not be significantly impacted by the presence of minor children, as only 3% of men with or without children in their household reported overwhelming levels of financial stress.

## 2014 Breakdown by Age/Gender:

	Under 30		30 – 44		45 -54		55+	
	Male	Female	Male	Female	Male	Female	Male	Female
I have no financial stress	26%	9%	17%	8%	18%	12%	26%	18%
I have some financial stress	58%	66%	62%	60%	64%	61%	65%	66%
My financial stress level is high	13%	21%	18%	23%	15%	22%	8%	14%
My financial stress is overwhelming	3%	5%	3%	8%	3%	6%	2%	2%

## 2014 Breakdown by Income/Gender:

	Under \$60,000		\$60,000 - \$100,000		\$100,000+	
	Male	Female	Male	Female	Male	Female
I have no financial stress	19%	7%	17%	10%	22%	15%
I have some financial stress	55%	55%	61%	64%	66%	67%
My financial stress level is high	20%	28%	19%	21%	10%	15%
My financial stress is overwhelming	6%	10%	3%	5%	2%	3%

## 2014 Breakdown by Family Structure/Gender:

	With Minor Children		Without Minor Children	
	Male	Female	Male	Female
I have no financial stress	14%	7%	26%	13%
I have some financial stress	64%	57%	61%	65%
My financial stress level is high	19%	26%	11%	18%
My financial stress is overwhelming	3%	10%	3%	3%

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## Detailed Demographic Analysis<sup>1</sup>

### 2014 Overall Response to Financial Stress Levels:

	Overall
I have no financial stress	15%
I have some financial stress	62%
My financial stress level is high	18%
My financial stress is overwhelming	5%

### 2014 Breakdown by Gender:

	Gender:	Male	Female
I have no financial stress		20%	11%
I have some financial stress		62%	62%
My financial stress level is high		15%	21%
My financial stress is overwhelming		3%	6%

### 2014 Breakdown by Age:

	Age:	Under 30	30-44	45-54	55-64	65+
I have no financial stress		15%	12%	14%	20%	35%
I have some financial stress		63%	61%	62%	67%	48%
My financial stress level is high		18%	21%	19%	11%	15%
My financial stress is overwhelming		4%	6%	5%	2%	1%

### 2014 Breakdown by Income:

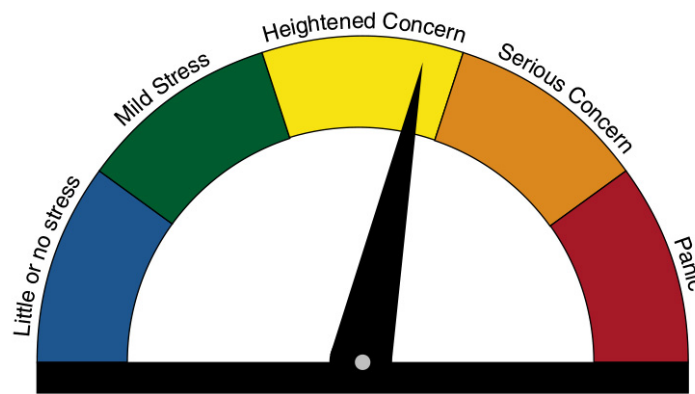
	Income Range:	Under \$35,000	\$35,000-\$59,999	\$60,000-\$74,999	\$75,000-\$99,999	\$100,000-\$149,999	\$150,000-\$199,999	Over \$199,999
I have no financial stress		8%	11%	12%	13%	15%	19%	27%
I have some financial stress		48%	59%	62%	63%	65%	69%	65%
My stress level is high		32%	22%	21%	20%	16%	10%	7%
My stress level is overwhelming		12%	8%	5%	4%	3%	2%	1%

<sup>1</sup> Based on data collected from January 1, 2014 to December 31, 2014 (rounded to nearest whole percentage)

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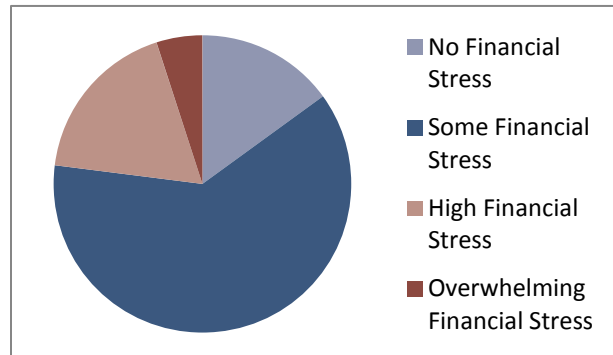
## Employee Financial Picture

With financial stress quite prevalent in today's workforce, there is a level of heightened concern with 23% feeling their financial stress is high or overwhelming. However, this is down from serious concern in 2009 and 2010 when over 97% of employees were reporting some degree of financial stress, and approximately one third reported high or overwhelming stress.



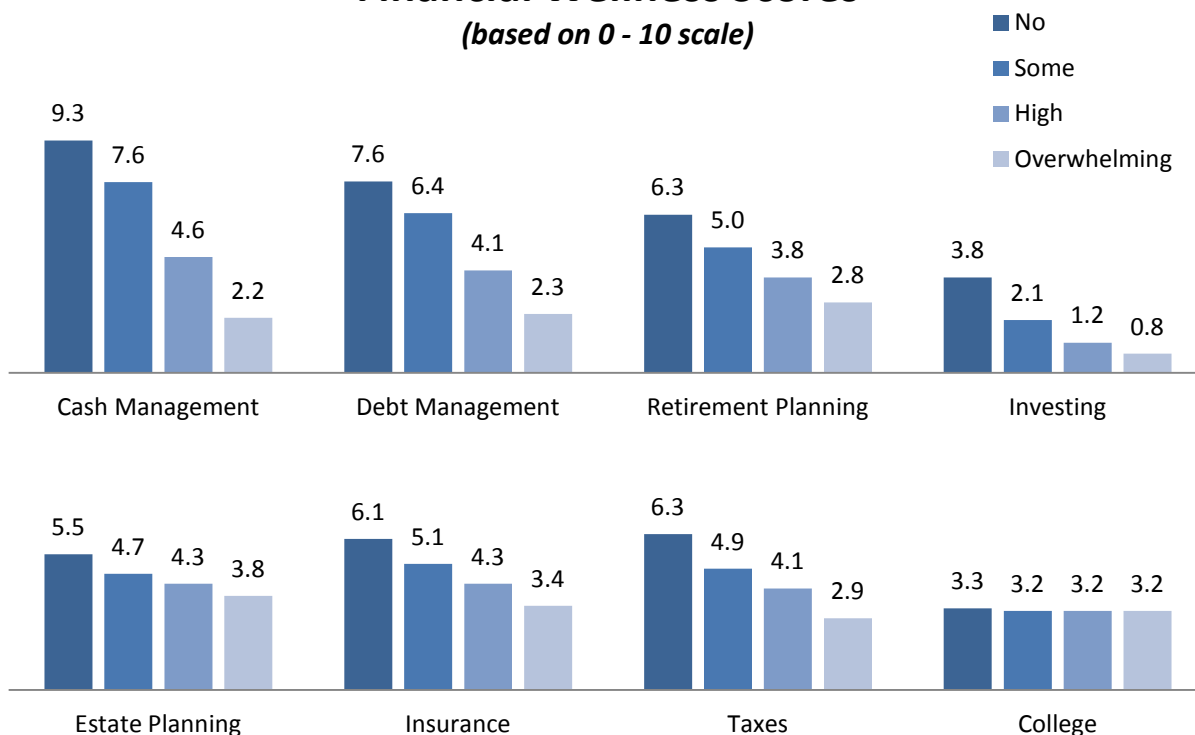
For the full year of 2014:

- 15% of employees stated that they have no financial stress.
- 62% of employees reported that they have some financial stress.
- 18% of employees felt that their financial stress level is high.
- 5% of employees are at a point where their financial stress is overwhelming.



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## Financial Wellness Scores (based on 0 - 10 scale)



With almost half of larger companies (i.e., those with 500+ employees) offering consumer driven health plans (CDHPs) in 2014, it is no surprise that wellness scores decreased by almost 1 point in the area of insurance. Due to projections that 66% of large companies are very likely to offer a CDHP in 2017<sup>v</sup>, we will be keeping a watchful eye on the impact this may have on employees who will now be facing higher out-of-pocket healthcare costs. The good news is that we saw improvement in the cash management wellness score of those reporting a high level of stress, with an increase of 0.5 compared to the prior year. Overall, there was a 2-point improvement in the percentage of employees that reported having a handle on their cash flow, up from 68% in 2013.

	2011	2012	2013	2014
I have a handle on my cash flow so I spend less than I make each month.	73%	68%	68%	70%
I have an emergency fund to cover unexpected expenses.	57%	51%	52%	52%
I pay my bills on time each month.	90%	86%	87%	88%
I regularly pay off my credit card balances in full.	62%	56%	55%	55%

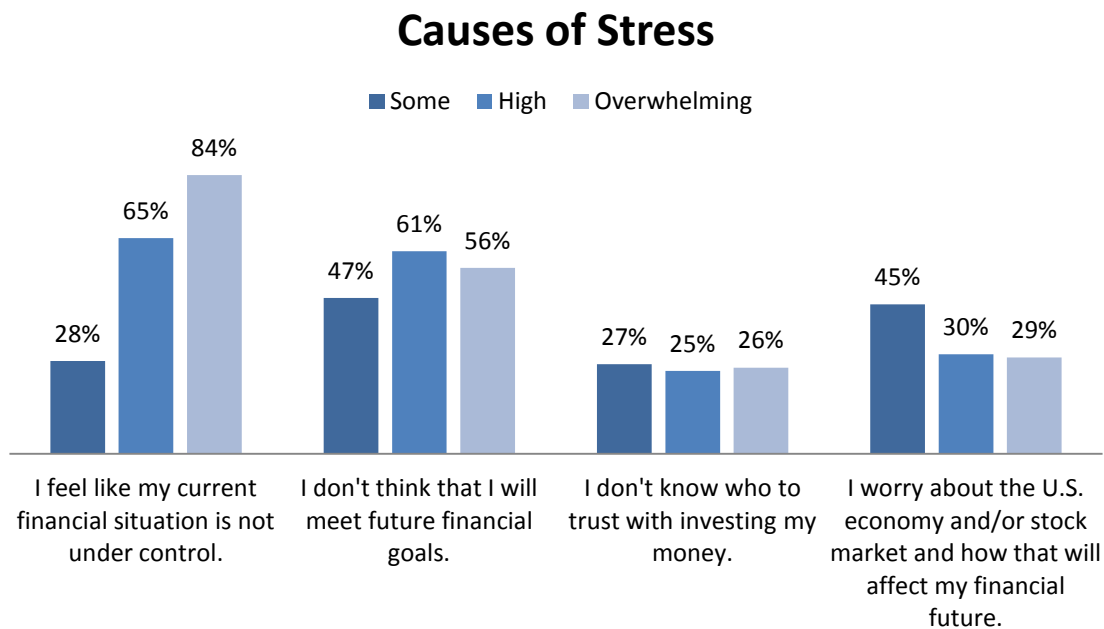
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## Causes of Financial Stress

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With the continued improvement in the U.S. economy and a drop in the unemployment rate, those with lower levels of financial stress are much less worried about the U.S. economy, with only 45% of this group reporting this concern as a main cause of their financial stress, down sharply from 60% in 2012.

For those reporting overwhelming financial stress, 84% cite the main cause as a lack of control over their current financial situation. As noted in the 8<sup>th</sup> Annual Consumer Federation of America Savings Survey released in February, Americans are saving a bit more effectively today than a year ago, but only a minority are doing so successfully.



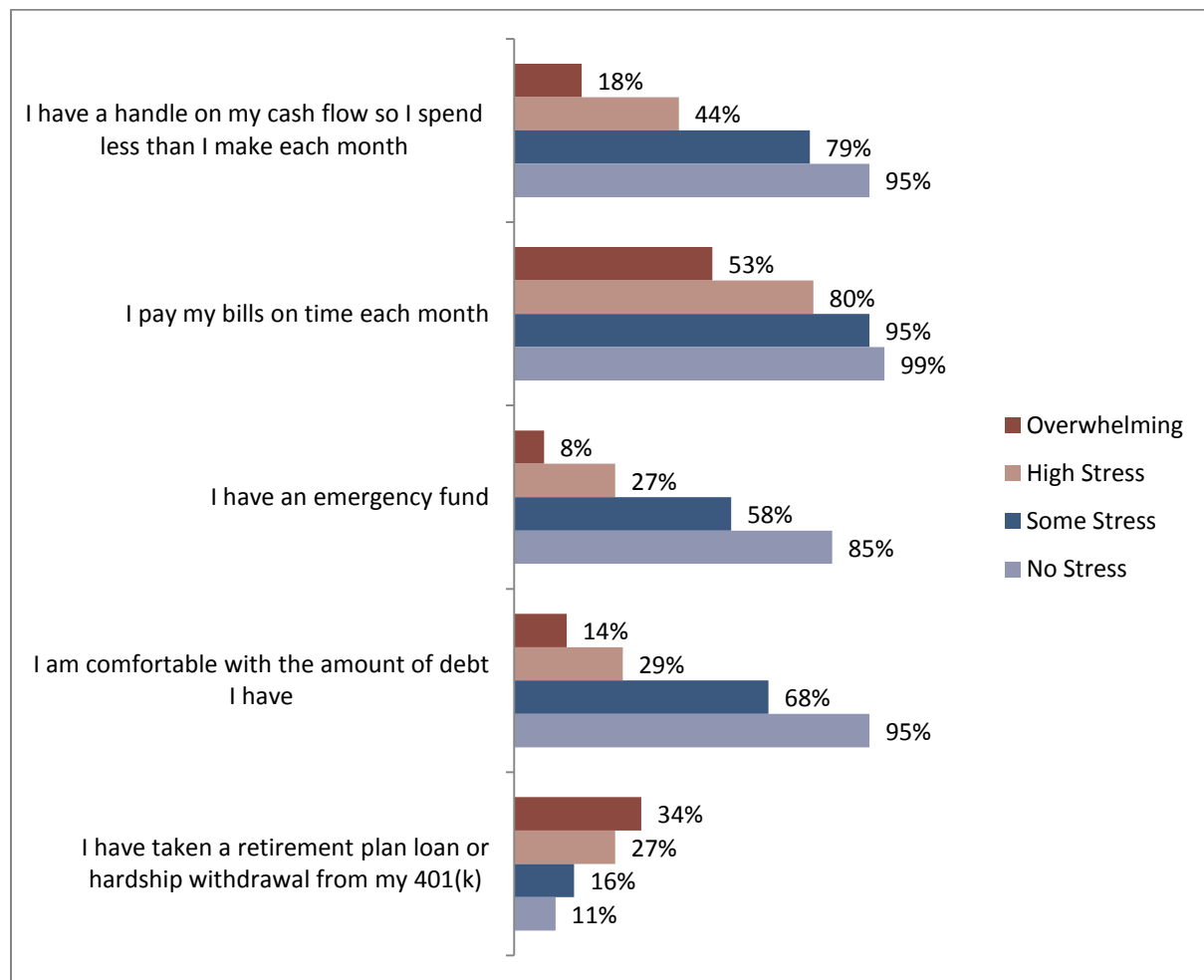
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## Impact of Money Management Behaviors on Financial Stress

Poor money management habits tend to lead to high financial stress. Only 8% of employees with overwhelming financial stress have an emergency fund, a low level of 18% have a handle on their cash flow, and only 53% pay their bills on time each month. This negative financial behavior results in over a third reporting they have resorted to taking a retirement plan loan or hardship withdrawal.

By contrast, good money management behaviors tend to minimize financial stress. Only 11% of employees with no financial stress have ever taken a retirement plan loan or hardship withdrawal, 95% live within their means, 99% are paying their bills on time each month, 85% maintain an emergency fund, and 95% are comfortable with their debt levels.

Accordingly, the biggest thing employees can do to reduce their financial stress is to reduce expenses, pay off debts, build an emergency fund, and develop positive financial habits and behaviors that keep them from facing financial trouble in the future.

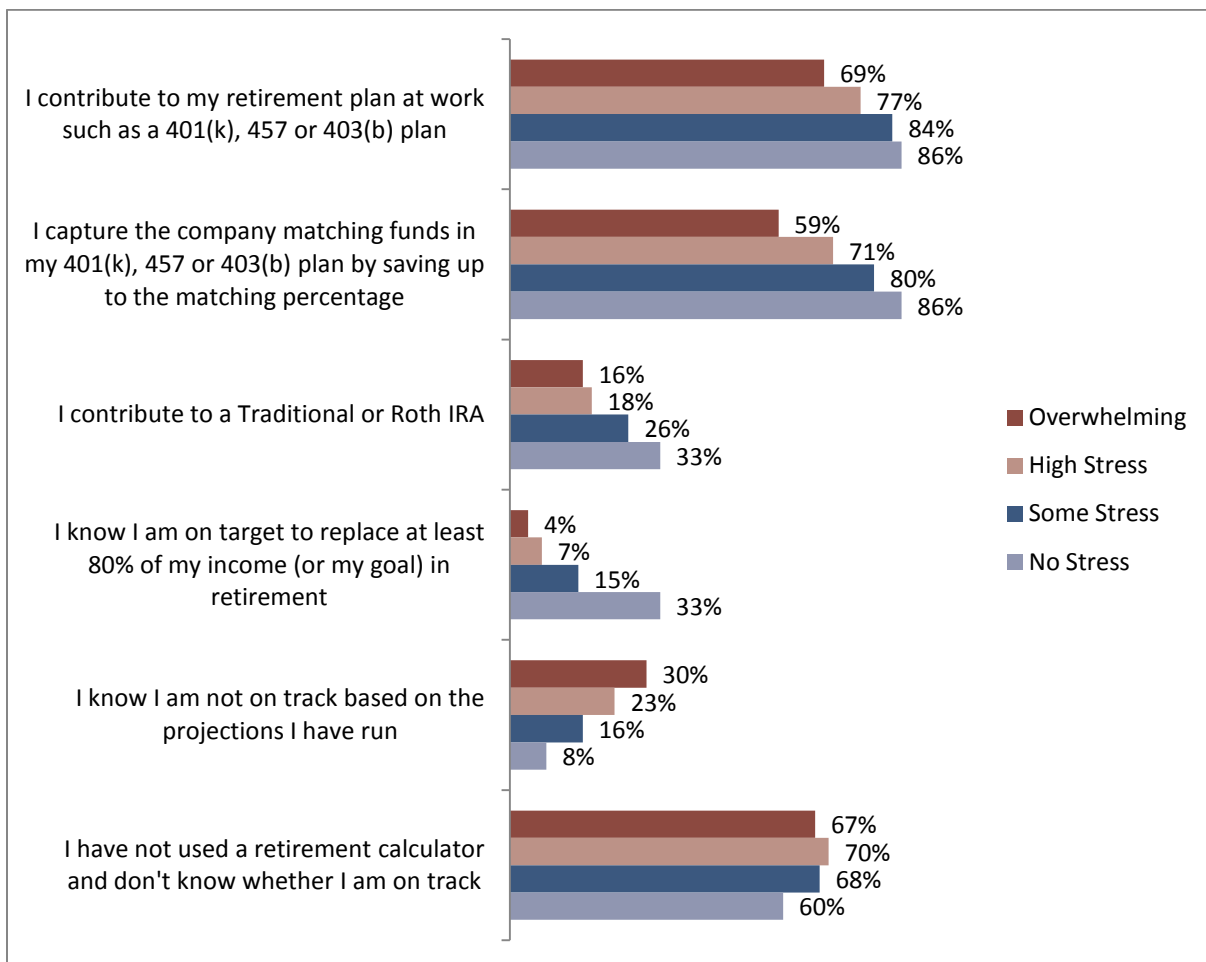


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## Impact of Retirement Preparedness on Financial Stress

In 2014, four out of ten employees with overwhelming levels of financial stress and three out of ten employees with high levels of financial stress left money on the table by not contributing enough to their employer-sponsored retirement plan to receive the full company match. Over three in ten employees with overwhelming stress reported they were not contributing at all to their employer's retirement plan. To prevent this, employers can help their employees to contribute by instituting auto-enrollment starting at the matching percentage and by incorporating an auto-escalation feature for both new hires and existing employees as part of the retirement plan design.

Of those that have run a retirement projection, less than one in five employees with high or overwhelming levels of financial stress feel that they are on track to achieve their income-replacement goals in retirement. This may be why uncertainty over reaching future financial goals is cited as a main cause of financial stress by a majority of this group. Unfortunately, two-thirds of those with overwhelming financial stress haven't even run a retirement projection. An annual retirement evaluation statement issued to each employee by the plan provider can possibly be a wake-up call for those who don't know where they stand regarding their preparedness for retirement.



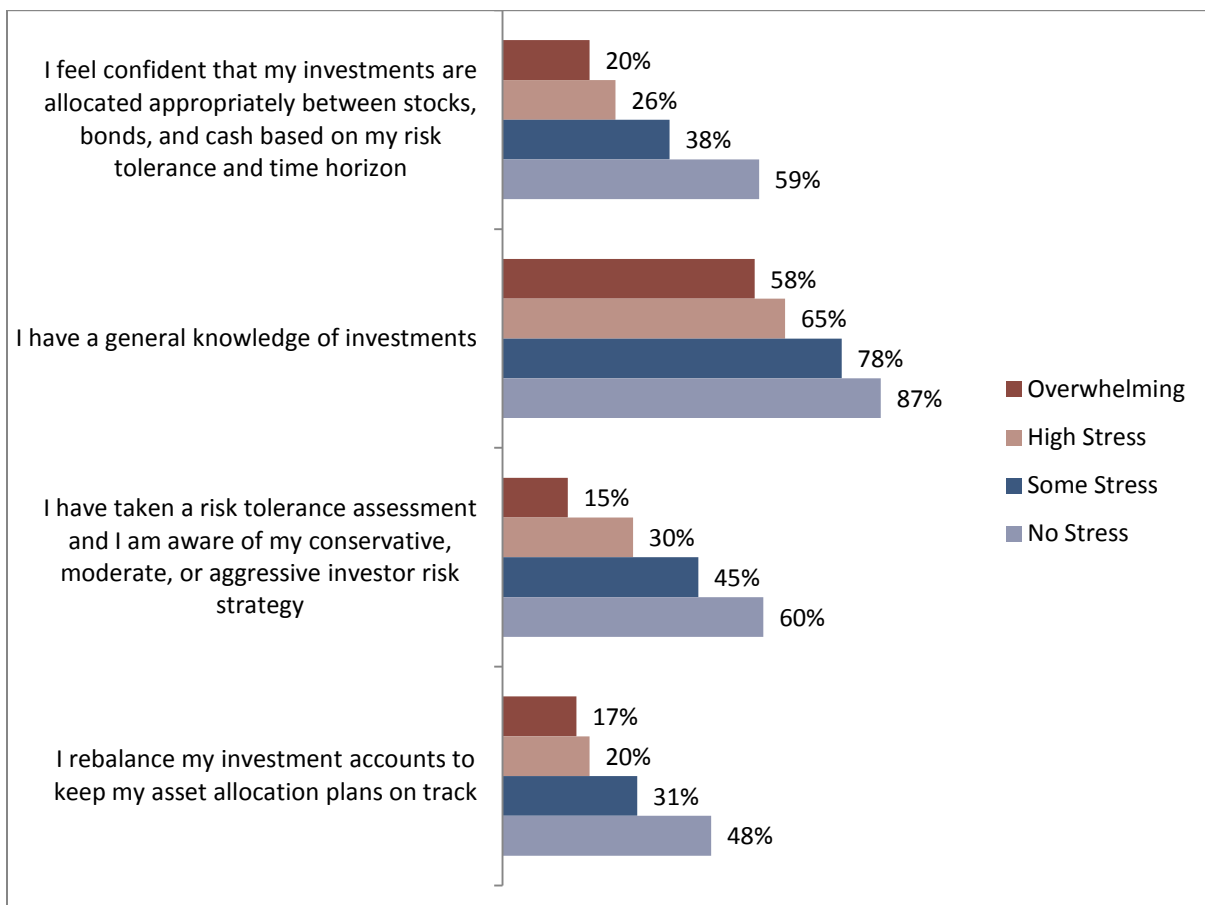


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## Impact of Investment Planning on Financial Stress

Across all levels of financial stress, the percentage of employees who reported taking a risk assessment decreased compared to 2013. Both employees with overwhelming stress and those with no stress had a 4 percentage point drop in awareness of their investment risk tolerance. Investing behaviors like taking a risk tolerance assessment and rebalancing are especially important right now as investors tend to get passive during a rising stock market. If left unchecked, investment portfolios could become overweight in stocks making them more volatile than appropriate. If this happens, a market correction could cause uncomfortable changes in account balances, potentially adding to employee financial stress and resulting in untimely investment changes.

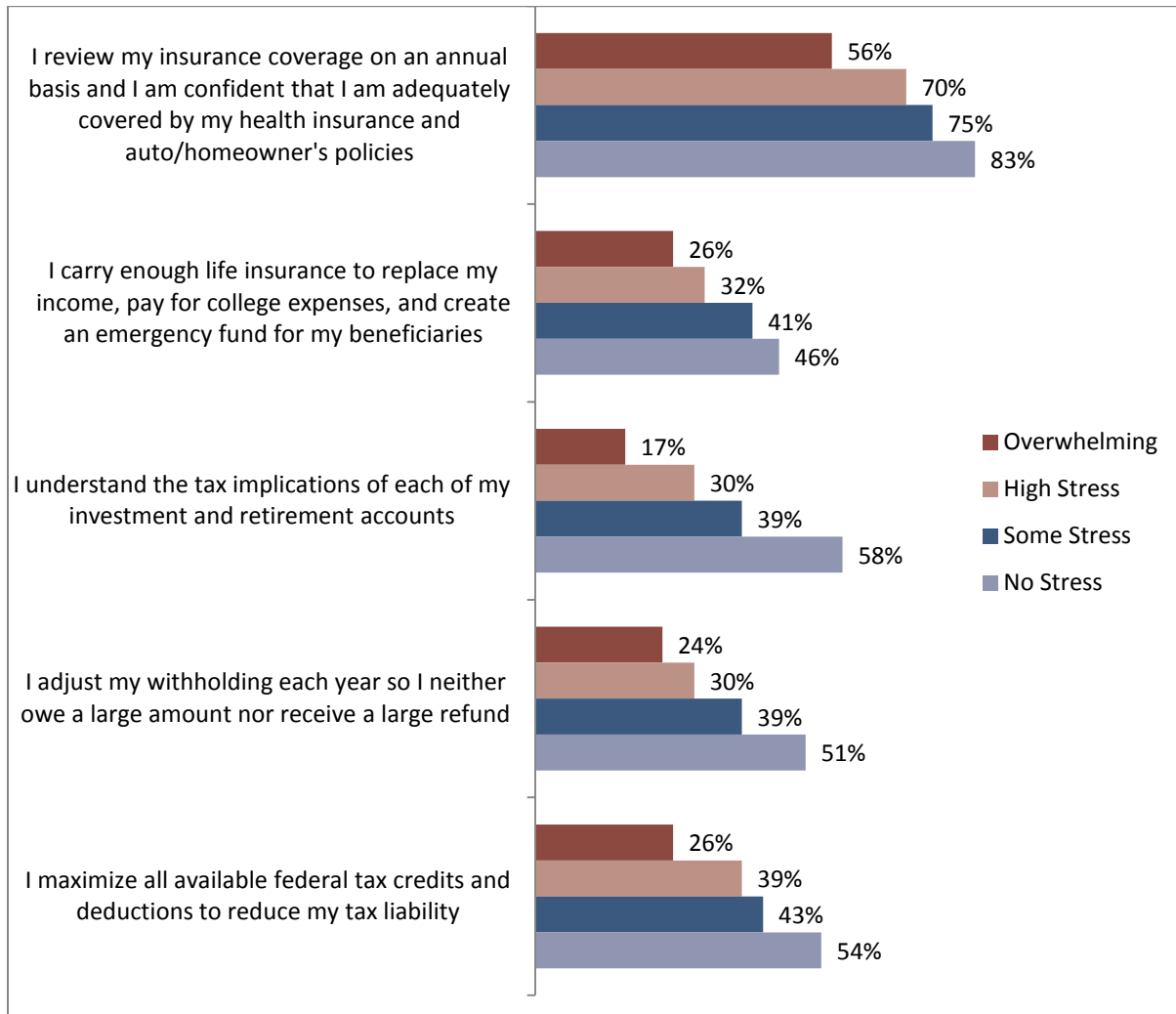
With only two out of ten employees with high or overwhelming financial stress rebalancing their accounts to keep their asset allocation plan on track, employers can help employees improve their investment wellness by incorporating investment advisory services into their retirement plan, offering managed accounts and target-date funds, and providing ongoing financial and investment education.



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## Impact of Insurance and Tax Planning on Financial Stress

Of those reporting overwhelming financial stress, 26% feel they are maximizing all available federal tax credits and deductions, down from 34% in 2013. For this same group, only 56% review their insurance coverage annually and are confident that they are adequately covered by their health insurance and auto/homeowner's policy. The shift to higher deductible CDHPs could compound the financial stress of this segment of the workforce.



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## About this Research

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All of Financial Finesse’s research is primary—based on tracking employees’ most pressing financial concerns through their usage of our financial education services.

Trend analysis research is compiled by tracking questions received by planners through Financial Finesse’s Financial Helpline and Ask-a-Planner services. Financial Wellness data is compiled by tracking employees’ usage of Financial Finesse’s Online Financial Wellness Assessment and Learning Center, which provides employees with a personalized financial education plan and analysis of their current financial wellness. Employers and employees are located across the country—in similar proportion to the demographics of the national population.

### About the Financial Wellness Score

The Financial Wellness Score is measured on a scale of 0 to 10, with 0 indicating minimal financial wellness and 10 indicating optimal financial wellness. Scores are adjusted to consider age and income and determine how well employees are managing their finances based on these factors and the needs associated with different life stages and income levels. Employees who achieve a Financial Wellness Score within a specified range exhibit financial behavior as outlined in the following chart:

Wellness Score	Financial Behavior
9.0 or above	Employees have excellent financial skills and habits, and have achieved an optimal level of financial wellness. They are on track to meet their goals and fully prepared to weather unexpected challenges that arise.
7.0 to 8.9	Employees have good financial skills and habits, and are in a fairly good position to reach their goals, but there are additional actions they need to take to fully prepare for their goals and protect themselves from challenges that may arise.
5.0 to 6.9	Employees are demonstrating some personal financial skills, but have significant gaps in their overall financial planning and behaviors, and really need education and guidance to make decisions and develop financial habits that will allow them to achieve their goals.
3.0 to 4.9	Employees may be sabotaging their own goals through poor personal financial skills and are in need of more basic information.
Below 3.0	Employees are in dire need of guidance around basic personal financial skills to help keep them from experiencing serious financial consequences.

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## About the Financial Wellness Assessment

The Financial Wellness Assessment is a proprietary tool designed and developed by our Think Tank of CERTIFIED FINANCIAL PLANNER™ professionals used to measure employees' financial wellness. To get a realistic assessment of wellness in each category, planners determined the most important criteria for achieving financial success in that specific category. By asking key questions that determine employees' progress on these different actions, we are able to approximate their financial wellness in those areas.

## About Financial Finesse

Financial Finesse is an unbiased financial education company providing personalized and innovative financial education and counseling programs to over 2.4 million employees at over 600 organizations. Financial Finesse partners with organizations to reach goals such as reducing fiduciary liability, increasing plan participation, decreasing stress, and increasing productivity through its unique approach to financial education. Financial Finesse does not sell products nor manage assets. For more information, visit [www.financialfinesse.com](http://www.financialfinesse.com).

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<sup>i</sup> Wells Fargo/Gallup: Investor and Retirement Optimism Index Q1 2015.

<sup>ii</sup> Fleming, John, "Americans Still Spending More, Still Not on What They Want," Gallup, May 21, 2015, <http://www.gallup.com/poll/183359/americans-spending-not.aspx>.

<sup>iii</sup> Stress in America™: Paying With Our Health survey, released February 4, 2015 by the American Psychological Association.

<sup>iv</sup> Aon Hewitt, 2015 Hot Topics in Retirement.

<sup>v</sup> Mercer, 2014 National Survey of Employer-Sponsored Health Plans.