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Employees Want Financial Planning Support — and Aren't Afraid to Ask for It

Financial stressors including stubbornly high inflation and historic levels of credit card debt continue to impact workers across a wide range of income brackets. Twenty-eight percent of full-time employees often or always run out of money between paychecks, as do 15% of those who earn $100,000 or more per year, according to PwC's 2023 Employee Financial Wellness survey. And among workers who carry balances on their credit cards, 44% say they struggle to make their monthly minimum payments on time.

PwC's online survey of 3,638 full-time U.S. employees found that 44% of financially stressed workers admit their struggles have been a distraction while at work, and 36% are actively looking to change jobs (versus 18% of their non-stressed counterparts). Moreover, nearly three in four employees say they would like assistance with their personal finances. Fortunately, stigma over financial difficulties appears to be somewhat less of an obstacle for receiving help — with only one-third expressing embarrassment about asking for the advice they need, down from 42% in 2019.

Professional retirement planning assistance in particular has become a key focus for employees in terms of benefits considerations. More than half of workers identify it as a high priority, marking a 5% increase from the previous year, and one-fourth rank it as the No. 1 benefit they sought from their employee, according to Morgan Stanley's State of the Workplace III: Financial Benefits Study. The research also revealed that 92% of employees consider help with retirement planning a priority in their job selection. Nonetheless, one out of every four human resource (HR) leaders surveyed report their company is reducing employee financial benefits to cut costs. This despite the fact that 97% of the same HR professionals say they believe their companies need to do an even better job providing resources to maximize financial benefits.

As financial pressures continue to significantly impact work and personal life for many Americans well into 2023, employers who offer professional financial planning assistance may gain an advantage in the competitive labor market and reap the rewards of a healthier, more productive and happier workforce. By providing personalized financial benefits and resources that address workers' unique needs, organizations can create a culture of financial stability and empowerment, and help foster a mutually beneficial relationship where employees feel supported — and employers thrive in their business objectives.

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A Crisis of Confidence

According to the Employee Benefit Research Institute's 2023 Retirement Confidence Survey of 2,357 Americans, workers' and retirees' confidence that they'll have enough savings to comfortably support themselves through retirement has dropped to levels not seen since the 2008 global financial crisis. The findings show 64% of workers feel "at least somewhat confident," with only 18% feeling "very confident" as they remain concerned about inflation and the possibility of recession. Employers can deploy a number of strategies to help.

Support financial literacy. Offer seminars, webinars and educational content on retirement planning, emergency savings and long-term care. Workers may lack confidence in these areas either because they don't know how to put a financial plan in place or lack the skills to implement one. Plan sponsors can provide education about Social Security benefits, budgeting, debt management, tax planning and leveraging HSAs as a retirement planning vehicle.

Increase employer match. Consider increasing your match or adjusting your match formula to incentivize employees to contribute more to their retirement plan. You could increase the match percentage or the cap. They may well find that with a little extra employer assistance, their financial goals suddenly feel more within reach.

Add auto features. Implement auto-enrollment and auto-escalation to boost participation and contribution rates. These relatively straightforward and hassle-free mechanisms not only simplify retirement saving, but also demonstrate an employer's commitment to their employees' long-term financial security.

Encourage catch-up contributions. Older workers may feel more anxiety about a looming, underfunded retirement. Remind and encourage employees over age 50 to take advantage of the IRS catch-up contribution provision, allowing them to save more as they approach retirement.

Offer one-on-one financial consultations. There can be a great deal of unwarranted shame regarding money missteps, excessive debt or a lack of retirement preparedness. And this can sometimes inhibit employees from seeking assistance by means of group workshops. Encourage participants to meet one-on-one with a financial advisor who can offer personalized advice and guidance based on their specific circumstances.

Provide holistic support. If employees experience financial stress in addition to a crisis of confidence, it may be affecting their mental and physical health. Educate employees about assistance and support available to them, whether through an EAP, wellness programs or their employer-sponsored health plan.

Financial Health — and Hope

Given the many monetary stressors facing workers today, organizations need to help workers achieve greater financial health and equip them with tools to bolster confidence that they can achieve a secure financial future. With the right approach, employers can instill hope that no matter where employees are on their financial wellness journey, support is available to help them improve their chance for a secure retirement.

Sources:
https://www.ebri.org/docs/default-source/rcs/2023-rcs/2023-rcs-short-report.pdf?sfvrsn=7c8d392f_6

SECURE Act 2.0: Key Changes for 2024

To most, the SECURE Act 2.0 appeared to predominantly outline optional changes that go into effect over the span of 10 years. However, there are a few mandatory changes taking effect in 2024 that plan sponsors will need to comply with. These provisions require sponsors to work with their advisors, recordkeepers, and providers to develop a strategy for incorporating them into their plan design, as well as dealing with the cost implications that come with it.

The biggest mandatory change coming next year is the requirement that catch-up contributions made by high-income earners be treated as after-tax contributions. This means that starting in 2024, employees making catch-up contributions who earn at least $145,000, and are 50 years or older, must be contributing into a Roth account. For sponsors who don't currently offer employees a Roth, this poses a challenge. They will be faced with the decision of either establishing a Roth option to satisfy this provision or eliminating the catch-up contribution program for high-income earners. As most sponsors are choosing the first option, employees will be strongly encouraged to adopt a Roth 401(k) to begin with.

Other mandatory changes to look out for in 2024 are regarding required minimum distributions (RMDs). One new provision allows a surviving spouse to be treated as their deceased partner for the purpose of RMDs. This is crucial for a widow who is younger than the deceased. It means they can delay withdrawals to when they, themselves, are at the minimum age of RMD, rather than having to take RMDs out earlier, when their deceased spouse would've been the minimum age. Additionally, the SECURE Act 2.0 named Roth accounts in employer retirement plans exempt from RMD requirements starting in 2024. Previously, Roth 401(k) account holders who wanted to bypass RMDs would need to roll over their funds into a Roth IRA. Now, they can avoid dealing with a transfer of assets and the Roth IRA five-year rule by keeping their 401(k), RMD requirement free.

As we approach 2024, sponsors should also understand the optional changes going into effect and decide whether or not they can use them to optimize their plan designs. Examples of these include:

- Employee student loan payments matched with employer contributions to a retirement account;
- Introduction of the ability to transfer certain benefits between accounts (automatic portability); and
- Allowance of self-certifying emergency savings withdrawals up to $1,000 per year.

These provisions offer opportunities for plan committees to evaluate their current plan design and determine what changes can be made to support employee needs and help attract talent.

As each year brings more changes into effect, it's important that sponsors rely on their advisors and recordkeepers to stay up to date on the latest legislative changes. Recordkeepers will have a summary on the SECURE Act 2.0 provisions that are relevant to their particular plan. This will serve as a great resource for plan committees as they try to navigate upcoming changes.

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PARTICIPANT CORNER

Risk-proofing Your Future: Personal Protection Strategies

Are you prepared for a secure financial future? Discover some key aspects of a comprehensive risk management strategy.

- **Disability Income Protection:** Protect your income by obtaining disability income protection. Purchase it when you are young and healthy, considering factors like occupational specialty coverage, ensuring future income increases, and prioritizing individual plans over group coverage.
- **Property and Casualty Protection:** Property and casualty insurance (P&C) protects us against damage and protect against liability. Auto insurance, homeowner's insurance, renter's insurance, and personal liability insurance are all forms of P&C coverage. The higher deductible levels will lower your premium costs which should be redirected towards increasing your liability limits.
- **Personal Liability Protection:** Often overlooked, personal liability insurance provides extensive protection at a low cost. Consider obtaining umbrella liability protection equivalent to your assets' value.
- **Life Insurance Protection:** Life insurance serves various purposes, such as creating an instant estate, providing tax advantages, and offering cost-effective solutions. Don't wait too long to purchase life insurance; buy it when you are young and healthy.

By developing a risk management plan that encompasses these areas, you can safeguard your financial well-being and face the unexpected with confidence.

**Policy loans can become taxable should the policy lapse. Also, policy loans, if not repaid, will reduce the death benefit amount.*
Loans and withdrawals reduce the policy's cash value and death benefit and increase the chance that the policy may lapse. If the policy lapses, terminates, is surrendered, or becomes a modified endowment, the loan balance at such time would generally be viewed as distributed and taxable under the general rules for distributions of policy cash values.
Life insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your financial professional can provide you with costs and complete details.