

RETIREMENT & BENEFIT PLAN SERVICES

2018 Workplace Benefits Report

A look at how employers and employees think about the path towards financial wellness

Bank of America
Merrill Lynch





Employers and employees agree financial wellness programs are valuable, but personalized help could make them more effective

Bank of America prides itself on working with employers across the country to deliver robust employee financial education and personalized guidance. Our workplace financial wellness program helps employees better understand and manage their finances and empowers them to take control of their financial situation. As part of this effort, we conduct an annual survey to give us insight into the issues and challenges related to delivering financial wellness at work.*

For this year's *Workplace Benefits Report*, we asked employers and employees how they felt about financial wellness programs, as well as the services and solutions they thought these programs should offer. We were able to delve into how employers and employees feel about financial wellness, their expectations of each other and what kind of education and guidance they want in the workplace.

The research found that employers and employees agree that financial wellness programs are valuable. However, participation in these programs is not widespread. Employees could benefit further from financial wellness planning that is relevant, timely and easily actionable. The study also shows that enhancing how we offer personalized help, deliver guidance and even integrate healthcare into the conversation can help employees be more financially well. Women in particular experience stress across a number of financial issues and could benefit from additional financial assistance and guidance.

While we use these findings to help us refine and expand our workplace financial wellness offering, the real power is in sharing them with employers. This *Workplace Benefits Report* offers insights that can help employers better understand the wants and needs of their employees and provide actionable steps they can use right away to enhance their workplace financial wellness program. It is part of our dedication to helping employers and employees alike in all aspects of their financial lives.

Together, we can help improve the financial wellness of all employees and deliver the education, tools and support they need to live their best financial lives.

Lorna Sabbia
Head of Retirement & Personal Wealth Solutions
Bank of America Merrill Lynch

* For survey methodology, please see page 23.

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Only
31%

of employees are participating in financial wellness programs



Nearly
2 in 5

or 38% of employees feel less than financially well



There is a
disconnect

between employers and employees on what matters most to support financial wellness



Employees agree that the
#1

most helpful resource in improving financial wellness is advice from a professional



Only
7%

of employees identified healthcare as an important building block of financial wellness

Both employees and employers agree that financial wellness programs are effective

There is great news from around the country — investment in creating and delivering financial wellness in the workplace is having a positive impact on employees and the companies they work for.

91%

of employees who participate in a workplace financial wellness program say these resources have been effective



95%

of employers who offer them agree that their financial wellness program has been effective in reaching its company's goals

Employers say financial wellness programs are delivering tangible benefits to the firms that offer them, including:

Greater employee satisfaction/lower stress

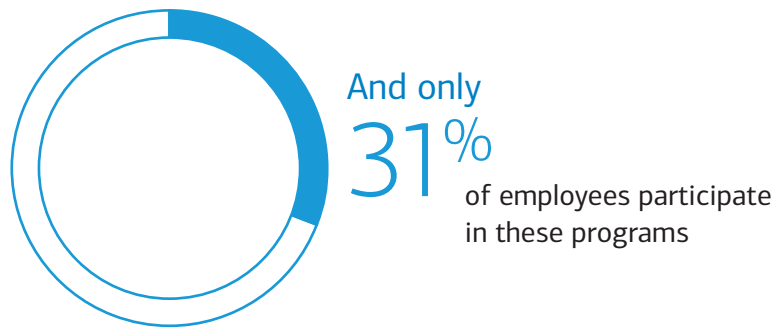
Less employee turnover

Improvement in employee productivity/performance

Potentially lower healthcare costs for company

But employee participation is low

Less than **1 in 2**  or 48% of employees are offered workplace financial wellness plans



#1 way to increase participation, according to employers and employees, is to offer cash incentives or discounts to participants



IMPLICATION

Availability and use of workplace financial wellness programs are not yet universal. Employers have significant room for improvement in increasing employee participation.

A significant part of the employee population is struggling

We view financial wellness as managing current finances while preparing for the future. It is not about being wealthy, but being able to address short- and long-term financial goals. Those who feel like they are not doing financially well often bring financial stress to work, can be distracted on the job and have even reported negative health effects.*

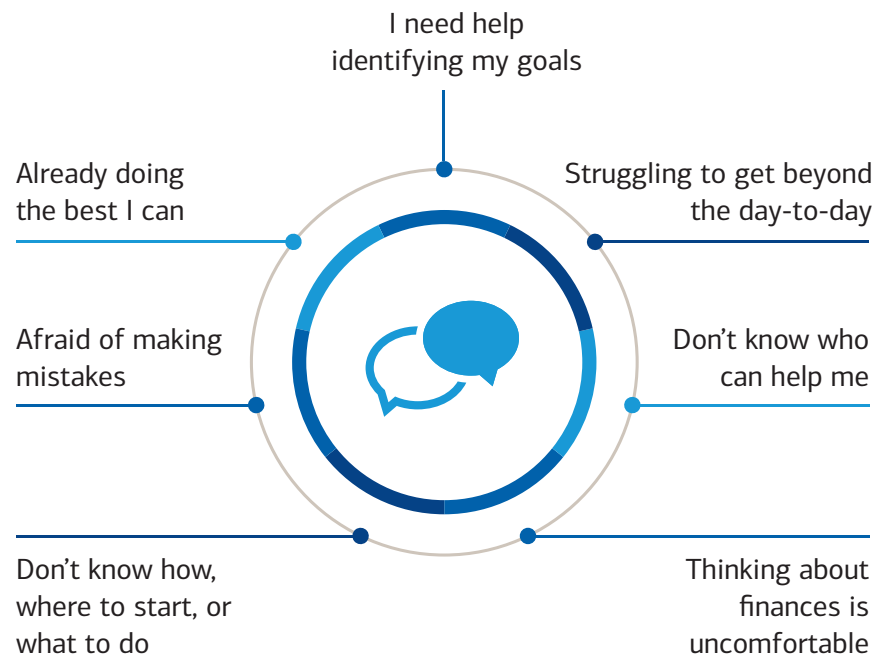
Nearly 2 in 5 employees or 38% feel less than financially well



* Source: Bank of America Merrill Lynch 2017 Workplace Benefits Report.

Barriers keeping employees from improving financial wellness are varied and wide-ranging

Employee responses included:





IMPLICATION

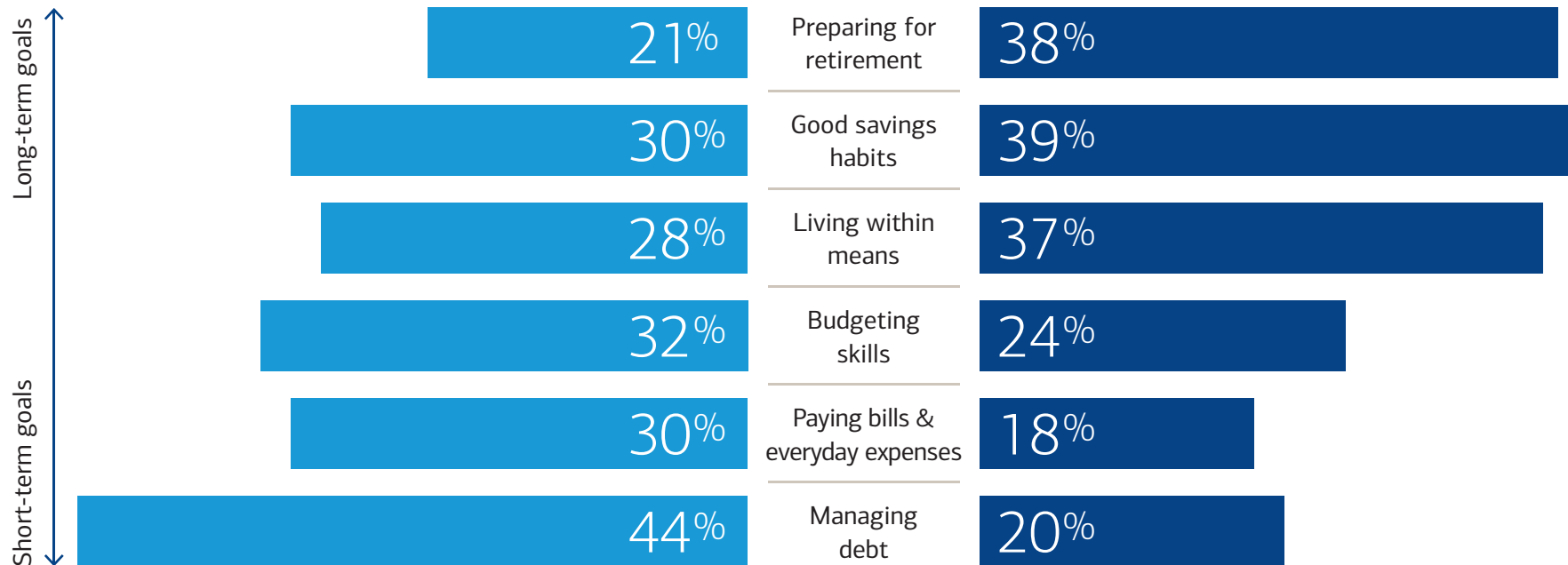
With many employees saying they are struggling, employers need to help their employees take action to address both their short- and long-term financial goals.

How financially well an employee feels can influence the goals they are focused on

When employees feel financially well, they tend to focus more on long-term planning topics, like retirement.

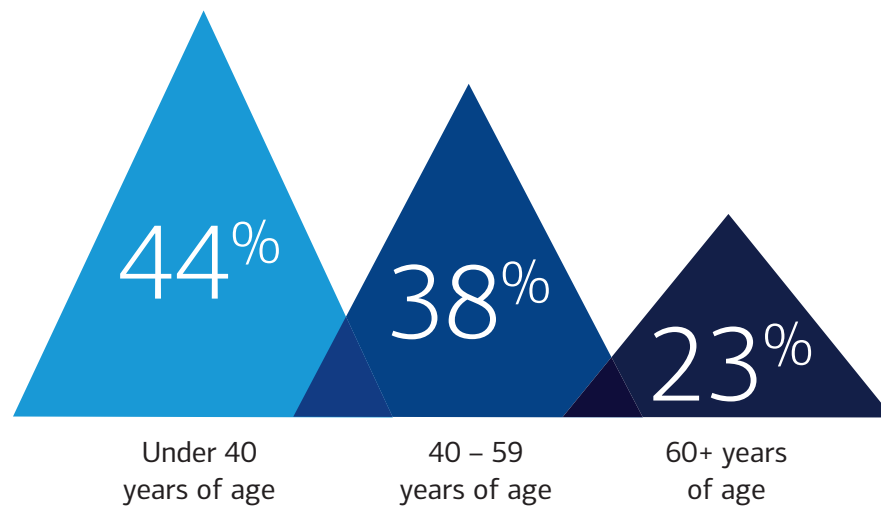
Employees who DO NOT feel financially well are most concerned about short-term goals

Employees who DO feel financially well are most concerned about long-term goals



Younger people also struggle more

Employees that state they are doing less than financially well



IMPLICATION

Employee needs are not all the same. The onus is on employers to make sure their financial wellness programs are designed to address a wide range of employee needs — not just planning for retirement.



Women are more likely to be less well off financially



47%

say they are less than financially well



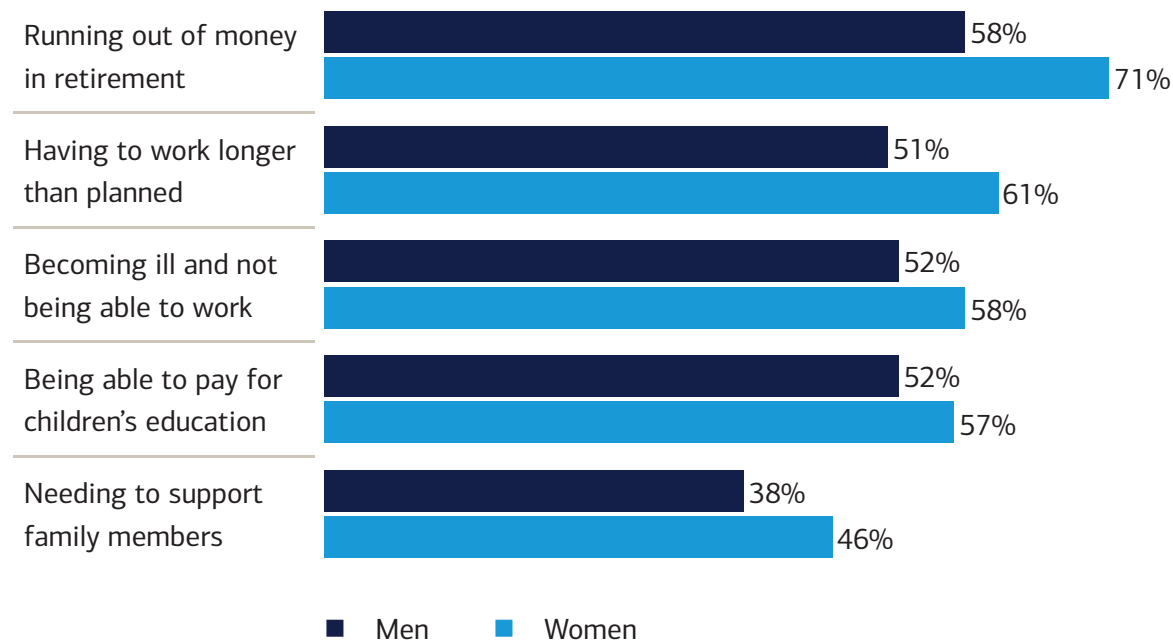
29%

say they are less than financially well

Women have saved less*

Women on average have \$119,000 in investable assets compared to \$196,000 for men. They also lag men when it comes to the amount they contribute to their 401(k).

Women express more fear about key financial concerns than men*



\$196,000
in investable assets



\$119,000
in investable assets



* Source: Bank of America Merrill Lynch 2017 Workplace Benefits Report.

When you look at employees as a whole, women are



14%

more likely than men to indicate they feel stress from their financial situation*



13%

less likely to be very optimistic about their financial outlook as a result*



For more information on the financial journey of women, see [Women & Financial Wellness: Beyond The Bottom Line](#), a study conducted by Age Wave in partnership with Merrill Lynch.



IMPLICATION

While helping women improve their financial wellness, employers need to make a concerted effort to understand the unique challenges women face.

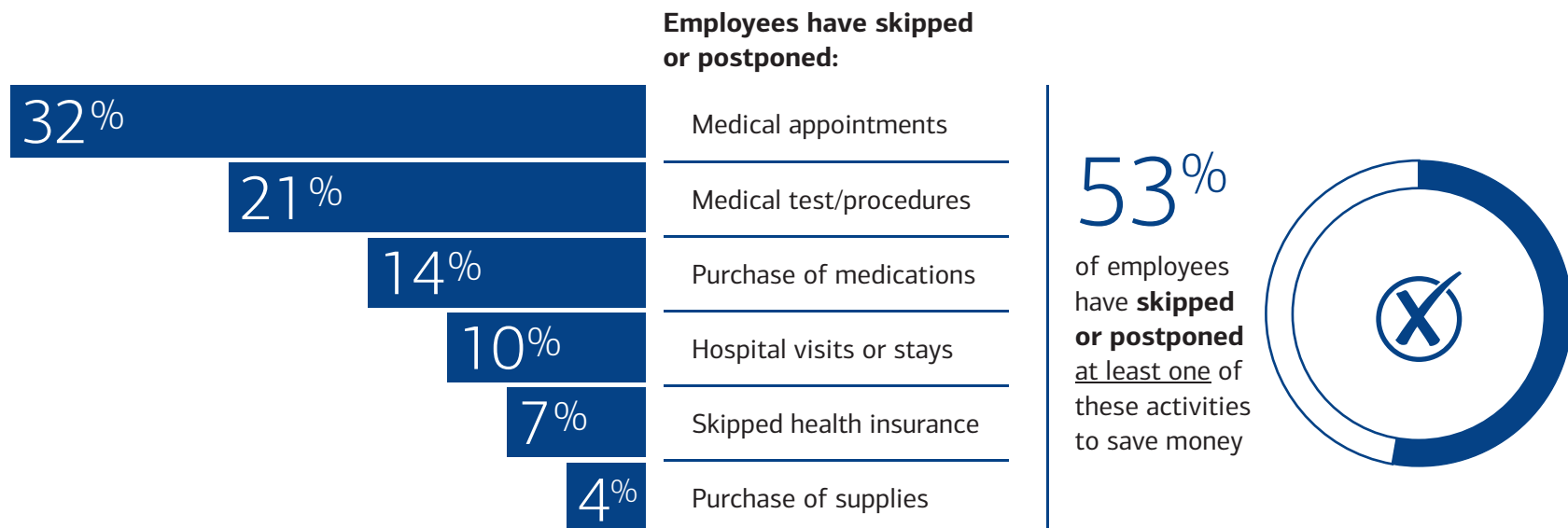
Healthcare costs are a huge blind spot for employees when it comes to financial wellness

While employees understand most of the factors that directly affect their financial wellness, the majority ignore one of the biggest factors — healthcare costs.

Only **7%** of employees identified healthcare as an important building block of financial wellness



Yet many employees have foregone healthcare-related spending for financial reasons



And employees lack an understanding of one of the most powerful planning tools they can use to help them save for and manage health-related expenses — health savings accounts (HSAs)

76%

of employees say they understand how HSAs work



But, only 12% could correctly identify the common attributes of an HSA

Healthcare costs could also impact women more than men, as they live an average of five years longer than men.* And women face higher lifetime medical expenses.†



Average out-of-pocket healthcare costs through retirement, including long-term care†

| | |
|-------|-----------|
| Women | \$688,000 |
| Men | \$494,000 |

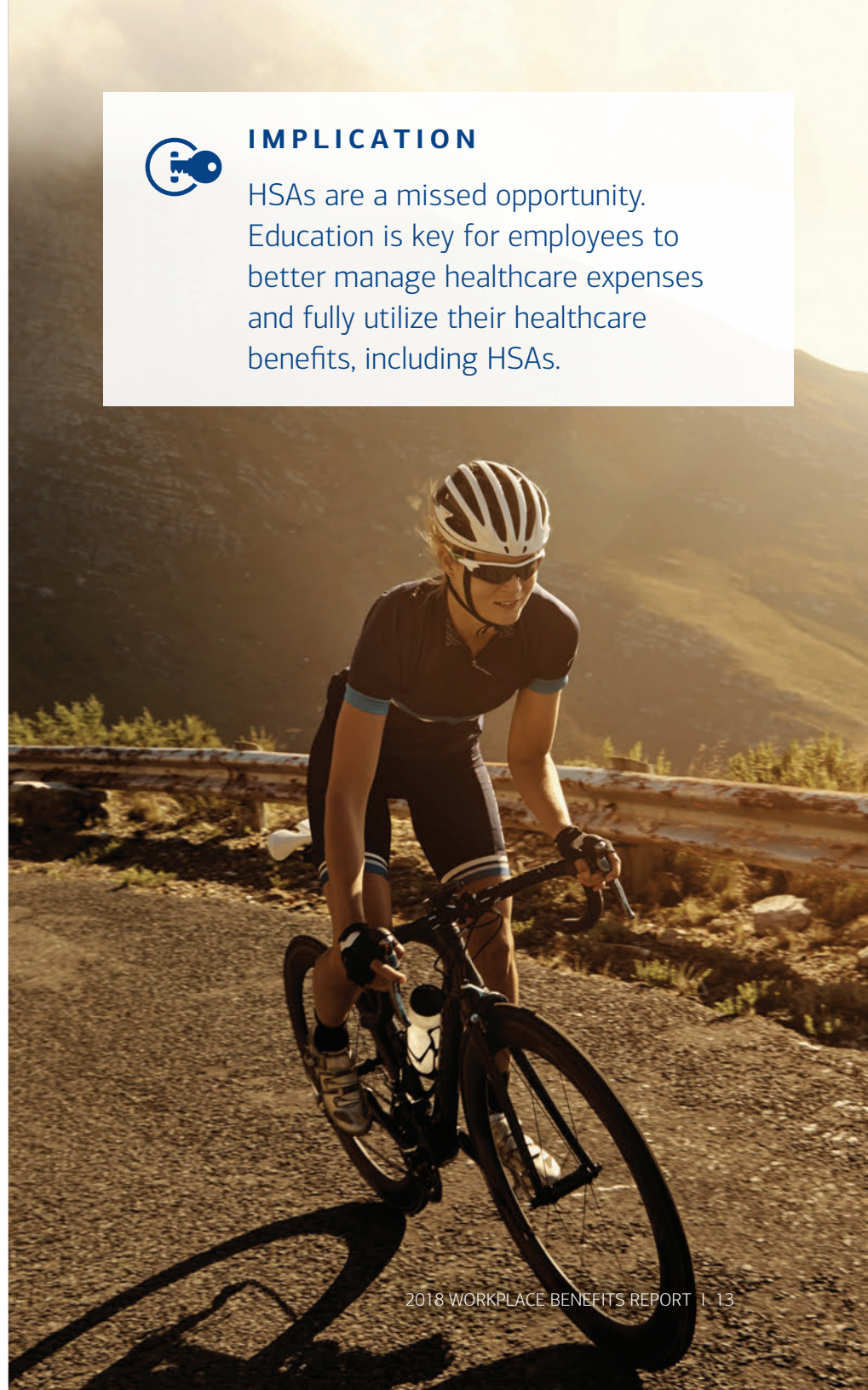
* Source: Centers for Disease Control, National Vital Health Statistics: Life Expectancy, 2016.

† Source: Age Wave estimate, based off Yamamoto, D.H., *Health Care Costs—From Birth to Death*, Health Care Cost Institute Report, 2013; HealthView, *Retirement Healthcare Costs Data Report*, 2016-2017.



IMPLICATION

HSAs are a missed opportunity. Education is key for employees to better manage healthcare expenses and fully utilize their healthcare benefits, including HSAs.



Employees are hungry for help from employer-offered financial wellness resources

86%*

of employees say they are very or somewhat likely to participate in an employer-offered financial wellness program, if offered



81%

of employees indicate they prefer that financial wellness be offered as a bundled program, instead of offered as stand-alone resources



And employers overwhelmingly feel like they have a responsibility to help employees

18%

Improve talent acquisition and retention

74%

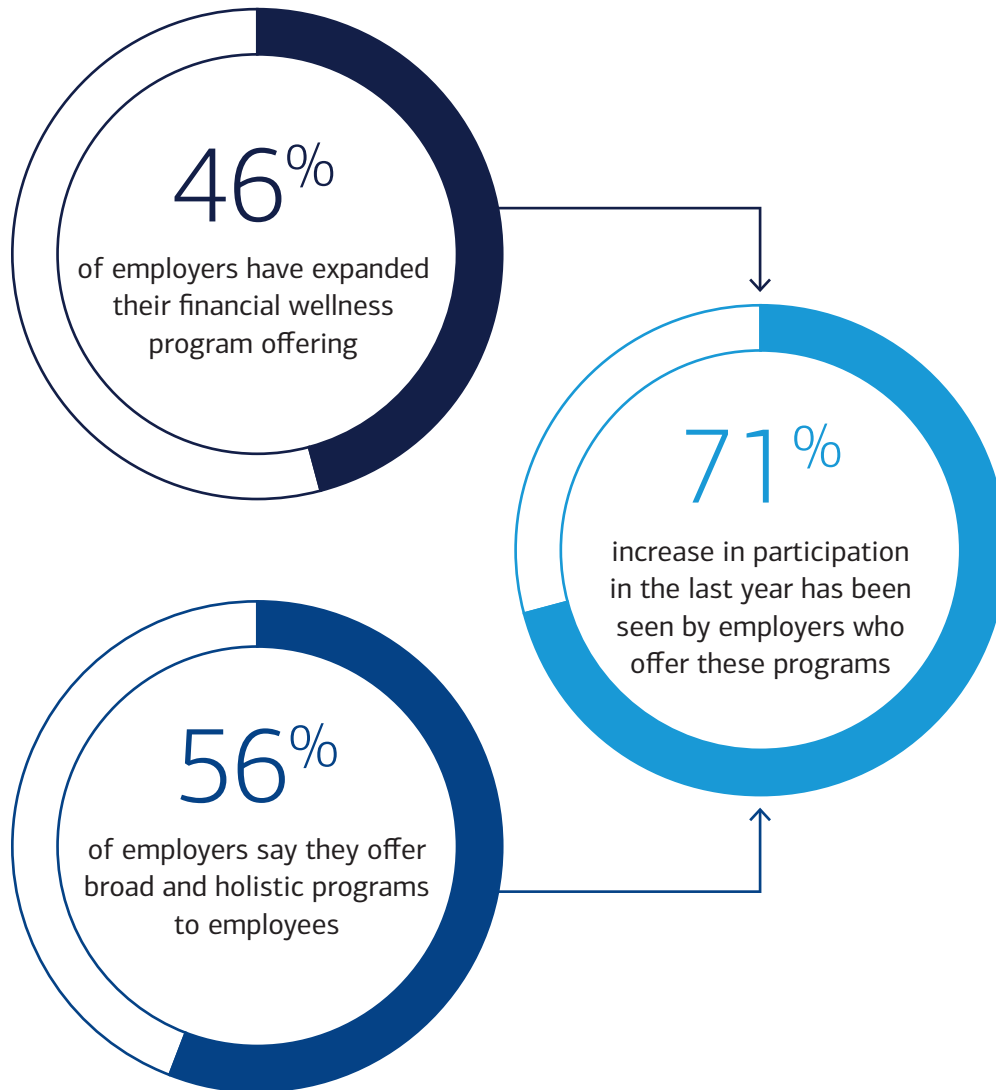
We feel it is our responsibility to help employees

7%

Improve bottom line (from higher productivity, cost savings, etc.)

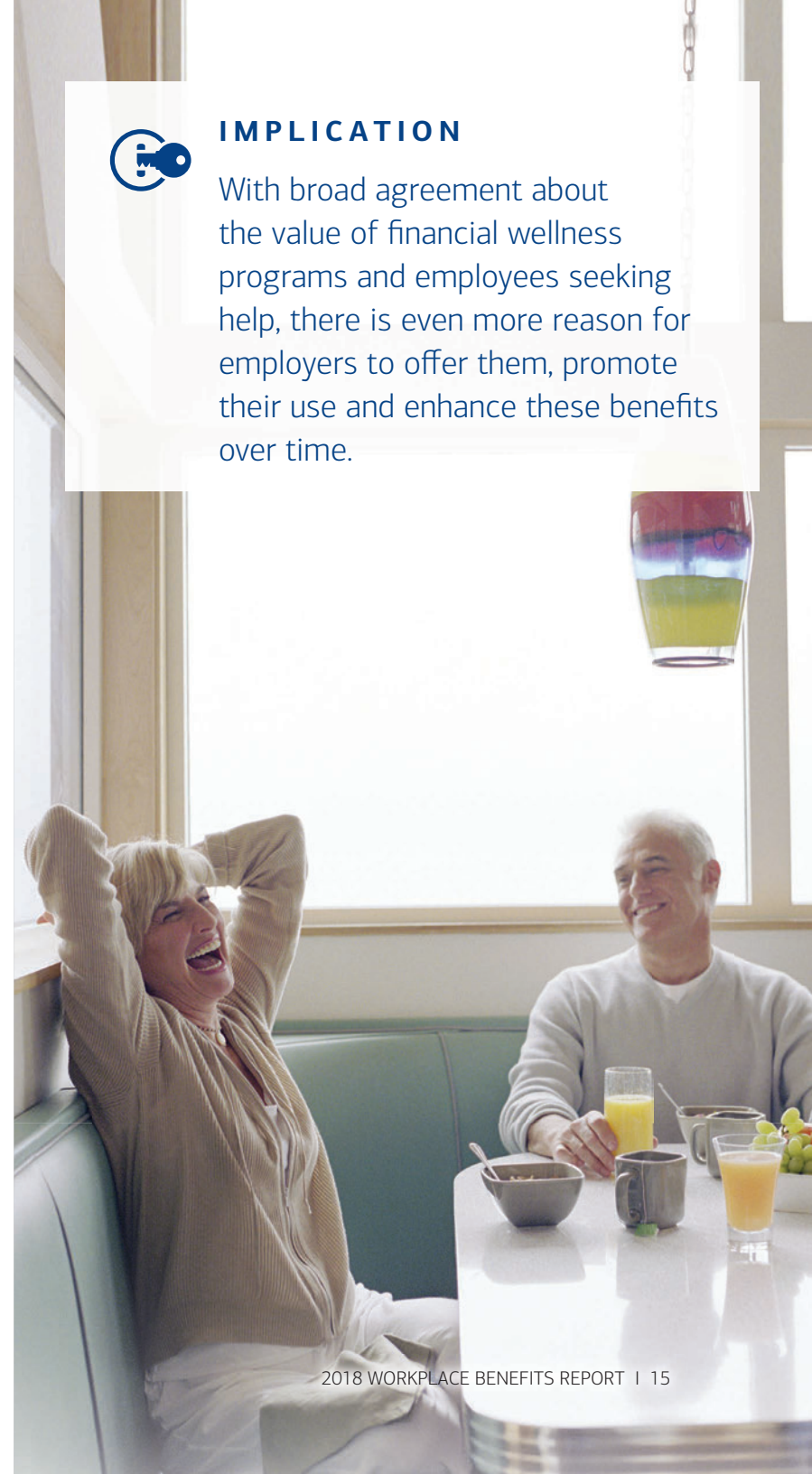
* Source: Bank of America Merrill Lynch 2017 Workplace Benefits Report.

Employers have been expanding their programs to offer holistic help to employees





IMPLICATION

With broad agreement about the value of financial wellness programs and employees seeking help, there is even more reason for employers to offer them, promote their use and enhance these benefits over time.



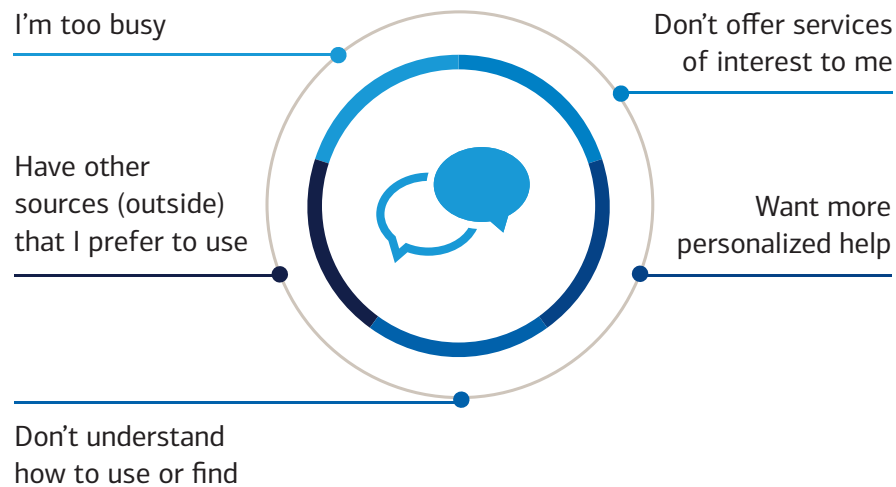
A disconnect between employers and employees may be hindering participation

While employees perceive value from their workplace financial wellness programs, they don't always take advantage of the services they are offered. When provided the same set of choices regarding how to approach financial wellness, employees and employers answered very differently.

| |  Employees tend to focus on their end goals, their top responses being: |  Employers tend to focus on the tactics of wellness, their top responses being: |
|---|---|--|
| Employees will be financially well when they have... | Financial freedom | Control of finances |
| The most important financial skill is... | Saving and investing for the future | Budgeting and handling income and expenses |
| What would help improve employee financial wellness the most? | Focus on the single next thing to do — one step at a time | Consider the impact of employer benefits on overall personal finances |

Main reason employees say they have not used their employer's financial wellness resources

Employee responses included:



IMPLICATION

Employers can use program design, including providing personalized guidance, to help address the barriers that prevent greater participation.

Employees want personalized advice from a professional

Employees agree on what would be most helpful in improving financial wellness



And
70%

of employees say they would be comfortable sharing financial information (e.g., savings, investments) as part of an employer-offered financial assessment



Employees say some of the most important aspects of a personal review are:

| | |
|-------------------------|-------------------------------------|
| An action plan or steps | Tracking progress & accomplishments |
| Assessing how I'm doing | Factoring in my specific goals |

And employees have different needs

Some indicate that the most important thing to improving their financial wellness is to help them focus on the next single thing to do while others want to be told several things to do.

Help me focus on the next single thing to do



Or tell me several things to do

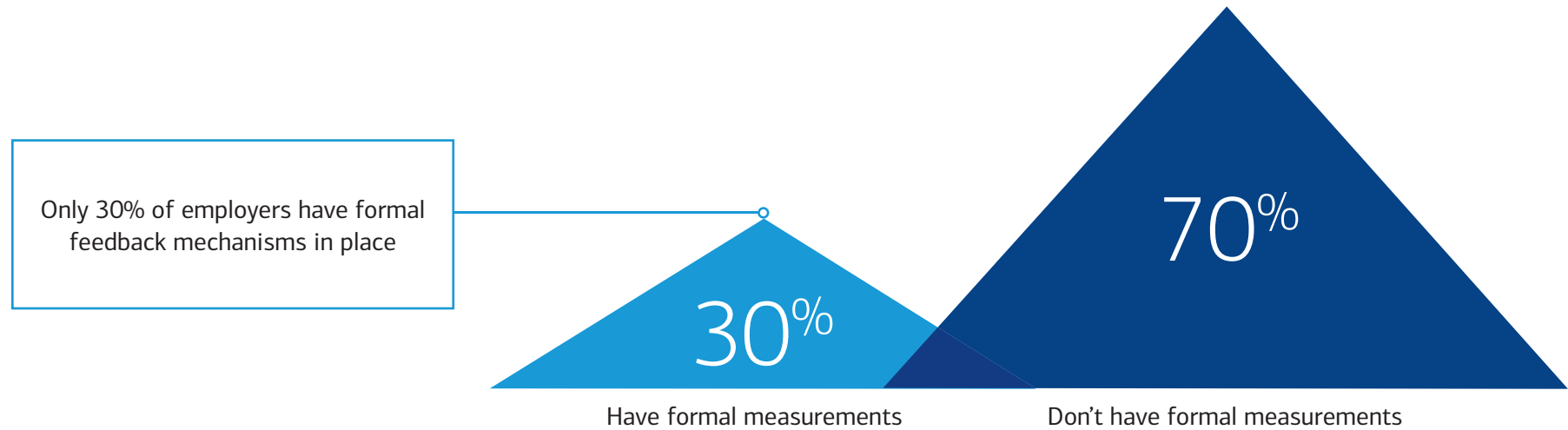




IMPLICATION

With employees seeking guidance, employers need to find ways to integrate professional advice as part of delivering effective financial wellness.

Most employers lack measurement to assess the value of financial wellness programs



IMPLICATION

Employers should define success measures as part of formalized monitoring and feedback efforts.

In conclusion

Employers can have a significant, positive impact on the financial lives of their employees by offering support across many financial topics — not just retirement. One of the most effective ways to do this is to offer financial wellness as a distinct benefit along with other benefits (e.g., 401(k) plans, health plans, HSAs).

Employers can improve awareness and use of financial wellness programs by actively promoting them and communicating their benefits. And formal measures can help employers understand the value the program delivers to their employees and their business.

Financial wellness topics should be relevant across different employee groups.

Dialogue between employers and employees can help identify specific needs and topics most relevant to each group. In addition, employers should use multiple channels and formats to reach employees.

Employees identified personalized help and action plans as the most useful ways to help them pursue financial wellness. Employers can offer access to financial professionals to address individual needs that vary by life event, life stage or more complex financial goals.

Employers should also remember that they don't have to do all of this alone. Working with a financial services provider, employers can offer access to the education and planning support employees are looking for. With smart program design, employers can deliver the kind of workplace financial wellness assistance that their employees seek.

There are a number of tactics employers may want to consider to enhance their financial wellness offering, detailed on the next page.



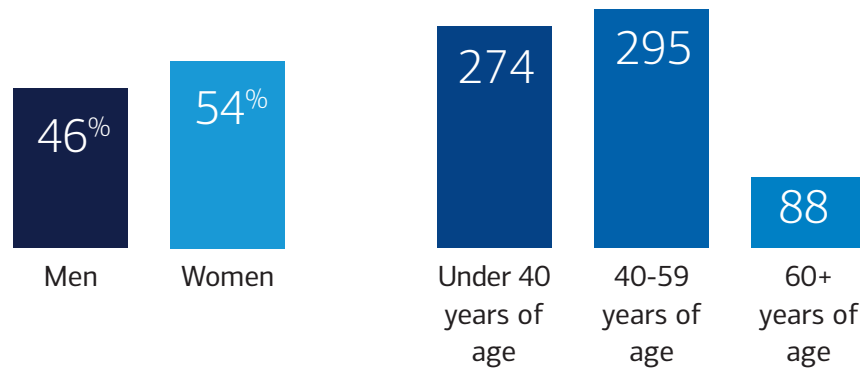
Actions employers can take to enhance their financial wellness program

| | Goals | Tactics |
|--------------------------------------|---|--|
| Drive engagement & participation | <p>Increase awareness of financial wellness resources</p> <p>Motivate employees to act</p> <p>Create an ongoing experience that changes with employee needs</p> | <ul style="list-style-type: none">✓ Integrate financial wellness communications in new hire, annual enrollment and other benefit materials✓ Provide tangible rewards or incentives for employee participation (e.g., credit towards time off)✓ Promote financial wellness as an ongoing process with proactive outreach for life events✓ Establish baseline engagement levels and conduct follow-up surveys to measure improvement✓ Define success measures for outcomes such as employee satisfaction, productivity or usage of other benefits (e.g., 401(k) plans, health plans, HSAs) |
| Address a wide range of needs | <p>Offer a broad scope of resources and topics</p> <p>Tailor content and formats for different employee needs and preferences</p> | <ul style="list-style-type: none">✓ Identify topics of most interest to employees using company data, employee surveys, feedback from meetings or events or a dedicated financial wellness email box✓ Tailor and position content to needs of specific employee segments (e.g., women, those eligible for HSAs, those in different life stages)✓ Offer resources across multiple channels, in digital and in-person formats, including events (e.g., workshops, benefit fairs), and one-on-one meetings and record events and provide replays |
| Offer personalized reviews & actions | <p>Provide one-on-one access to financial professionals</p> <p>Help employees monitor progress</p> | <ul style="list-style-type: none">✓ Offer small group or one-on-one help for common issues or goals (e.g., healthcare, college planning, homebuying) and utilize checklists and tools to develop personalized plans✓ Provide access to more comprehensive one-on-one consultations for more complex needs✓ Present action plans or step-by-step tasks so employees can proceed at their own pace✓ Quantify employee baseline wellness and help assess progress over time by tracking a wellness score or actions accomplished |

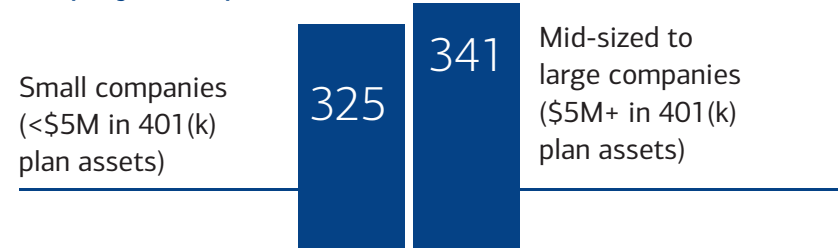
About the 2018 Workplace Benefits Report

Boston Research Technologies interviewed a national sample of 657 employees who participate in 401(k) plans from December 15, 2017 through December 27, 2017 and 667 employers who offer both a 401(k) plan and a program designed to help improve financial wellness from December 15, 2017 to January 3, 2018. To qualify for the survey, employees had to be current participants of a 401(k) plan and employers had to offer a 401(k) plan option. Neither was required to work with Bank of America Merrill Lynch. Bank of America Merrill Lynch was not identified as the sponsor of the study.

Employee respondents



Employer respondents



About the 2017 Workplace Benefits Report

Boston Research Technologies conducted an online survey with a national sample of 1,242 employees who responded between September 22 and October 7, 2016, on behalf of Bank of America Merrill Lynch. To qualify for the survey, employees had to be current participants in a 401(k) plan; the plan did not have to be provided by Bank of America Merrill Lynch. Bank of America Merrill Lynch was not identified as the sponsor of the study. Respondent demographics broke down as follows: Men: 48%; Women: 52%; Millennials (18 - 34 years of age): 355; Gen X (35 - 50 years of age): 460; Baby Boomers (51 - 69 years of age): 427.

This report is designed to provide general information for employers to assist with planning strategies for their retirement plan and is for discussion purposes only. Bank of America is prohibited by law from giving legal or tax advice, and recommends consulting with an independent actuary, attorney and/or tax advisor before making any changes.

At Bank of America Merrill Lynch, our mission is to work with employers to help employees live their best financial lives.



For more information about how we can help your company and its employees with workplace benefits, contact your Bank of America Merrill Lynch representative or call **877.902.8730**.



Visit us online at **bamf.com/benefitsreport**.

