

RETIREMENT & BENEFIT PLAN SERVICES

# 2019 Workplace Benefits Report

Expanding the financial wellness conversation





# Let's expand the financial wellness conversation

At Bank of America, we believe employers can positively impact their employees' financial wellness by providing comprehensive financial education and solutions. As finances transcend all areas of one's life, research has shown financial wellness programs can lead to increased work productivity and less stress.<sup>1</sup>

We serve employers across the country by offering integrated retirement and benefit plan services that can help retain talent and provide the support their employees are looking for. We design our workplace solutions to help employees gain financial knowledge and confidence so they can pursue goals now and into retirement.

Listening is powerful. That is why each year we conduct a survey that drills into the issues and challenges that contribute to employee financial wellness, and share the key learnings.<sup>2</sup> In the past we have focused on fundamental financial topics, like saving for retirement, debt management and general financial skills.

This year, we expanded the conversation and went beyond financial topics to look at other factors that can contribute to an employee's sense of wellness at home and work. We explored how healthcare costs are affecting them and how well they understand Health Savings Accounts (HSAs) as a tool to help manage these costs in the future. We looked at the impact caregiving responsibilities have on employees'

time and finances, as well as the emergence of important caregiving benefits. And we examined how diversity and inclusion programs are being used in the workplace to promote a more diverse environment and make employees feel included, regardless of their life stage, ethnicity, culture or gender.

This latest research is part of our ongoing commitment to examining important topics and bringing those insights into all that we do. From longevity to caregiving, employees are navigating an increasingly complex financial journey. By better understanding the factors, we can better support employers with financial wellness solutions that offer a holistic approach to integrated benefits and address people wherever they are, so employee benefits are personal and financial wellness actionable.

As a result, you experience financial benefits as people benefits.

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

<sup>1</sup> Bank of America Merrill Lynch 2018 Workplace Benefits Report, August 2018.

<sup>2</sup> For survey methodology, please see page 24.

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Workplace financial wellness programs are offered by **53% of firms, twice as many as four years ago<sup>3</sup>**



**Women continue to lag men** in terms of feeling financially well and saving for retirement



HSAs are misunderstood, with **only 11% of employees** able to correctly identify its attributes



**62% of employees** who are caregivers think their employer does not know



**Only 51% of firms** offer diversity and inclusion programs and **only 49% of employees** participate when they are aware they are offered

<sup>3</sup>Bank of America Merrill Lynch 2015 Workplace Benefits Report, April 2015.



# The state of workplace financial wellness



## What is financial wellness?

At Bank of America, we view financial wellness as a journey. It includes creating a balance between financial well-being today and managing the day-to-day while preparing financially for tomorrow.

This includes addressing behaviors that promote positive financial decision-making as well as identifying those that might negatively impact an employee's financial situation. Helping employees understand and manage their finances is an ongoing process because life happens and priorities, needs and goals change.

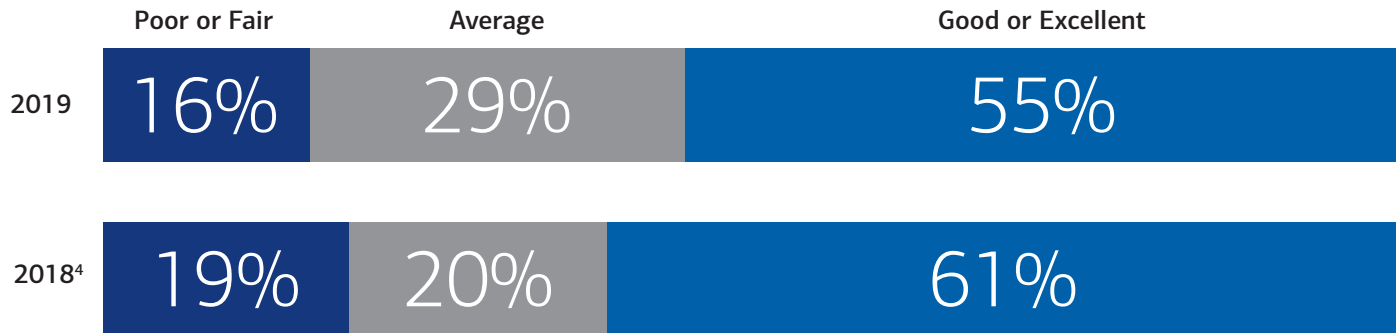
## Why does financial wellness matter?

When employees live their best financial lives, it shows in the workplace. We believe when employees feel financially in control, they are able to be more productive and focused in the workplace.

Finances are connected to all areas of our lives. Employers who understand the need to provide support and focus on employees' financial wellness take a holistic approach to their benefits. We believe best-in-class workplace financial wellness programs should focus on both complex and basic needs. They can provide workplace benefits that are personal, address overall financial health and provide access to actionable guidance to help improve employees' financial lives.

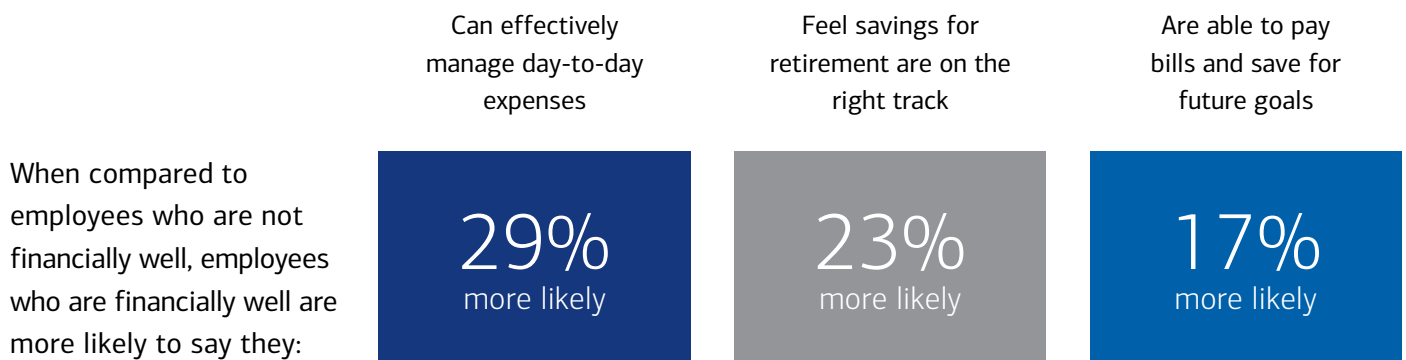
## A majority of employees feel financially well

More than half of employees rate their own financial wellness as good or excellent. We are seeing a slight decrease in employees who say they are doing well when compared to last year, as well as a drop in those who say they aren't doing well.



## Certain factors contribute significantly to feelings of financial wellness

When employees who feel financially well are compared to those who feel less well, a mix of short- and long-term factors contribute directly to the feeling of financial wellness.

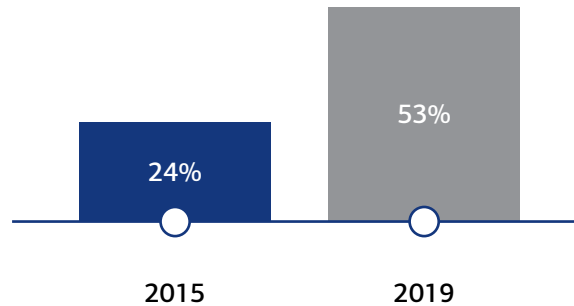


<sup>4</sup> Bank of America Merrill Lynch 2018 Workplace Benefits Report, August 2018.

## Employers play an important role in supporting financial wellness

The availability of workplace benefit programs that help address employees' overall financial situations can have a direct impact on how financially well employees feel. Maybe that is why we have seen a marked increase in the availability of workplace financial wellness programs in the last four years.

Percentage of employers who offer financial wellness programs<sup>5</sup>



While employees could benefit from financial wellness programs, certain features are more highly valued by employees than others.

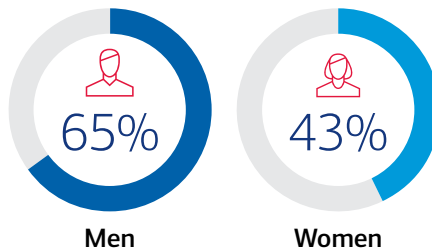
Employees' ranking of financial wellness program features

- 1 Advice from a professional, such as a financial advisor, planner or accountant
- 2 Information on financial topics separate from 401(k) education
- 3 Availability of financial products/services that help employees
- 4 Review/evaluation of employees' individual financial situations
- 5 Online financial tools or calculators, such as debt payoff, car/mortgage payment or college planning tools

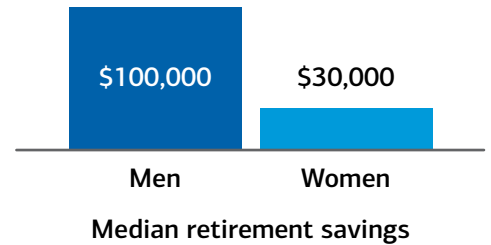
<sup>5</sup> Bank of America Merrill Lynch 2015 Workplace Benefits Report, April 2015.

Unfortunately, women continue to lag in financial wellness

Women are less likely to say they feel financially well



And women have far less saved for retirement



## The feeling of financial wellness has many components

Bank of America has spoken to many employees about financial wellness through surveys, focus groups and interviews. This dialogue has shown that education and tools that address topics like effective debt management, budgeting skills, the ability to save for retirement and the future and providing for one's family, just to name a few, can all contribute to a sense of financial wellness.

## Employee emotions and company health are intertwined

Just as employee financial wellness can have a direct impact on a company's bottom line, there are other factors that can negatively impact employees at work. Bank of America focused on three additional important factors that we believe can contribute directly to employees' feelings of well-being, and potentially company performance.

Employees' ability to manage healthcare costs

Employee obligations as a caregiver outside of work

Employee feelings about having a diverse and inclusive workplace



## The role healthcare costs play in financial wellness



### Healthcare costs are a significant financial burden

When employees think about healthcare, many don't consider its impact on financial wellness. In fact, in 2018 when employees were asked what the core building blocks of financial wellness are, managing healthcare costs was ranked last.<sup>6</sup>

While healthcare coverage continues to be a common employee benefit, more healthcare costs are being shouldered by employees as overall costs increase and employers move towards offering high-deductible health plans (HDHPs) that have higher out-of-pocket costs.

**\$2,138**  
Out-of-pocket  
expenses<sup>7</sup>

**\$5,547**  
Health insurance  
premiums<sup>8</sup>

**\$7,685**  
Total average  
annual expenses<sup>7,8</sup>

<sup>6</sup> Bank of America Merrill Lynch 2018 Workplace Benefits Report, August 2018.

<sup>7</sup> Bank of America 2019 Workplace Benefits Report, September 2019.

<sup>8</sup> 2018 Employer Health Benefits Survey, Kaiser Family Foundation, October 2018.



Current healthcare expenses are not an employee's only concern. In retirement, Medicare may only cover up to 65% of certain employee medical costs,<sup>9</sup> so they will need to plan for paying healthcare premiums and out-of-pocket costs that can be significant, potentially eating into retirement savings.

## The financial burden of healthcare is staggering

53%



of employees have skipped or postponed at least one of these activities **to save money**

### Percentage of employees who skipped:

Medical appointments	32%
Medical test/procedures	21%
Purchase of medications	14%
Hospital visits or stays	10%
Skipped health insurance	7%
Purchase of supplies	4%

## And the burden continues past an employee's working years

Projected healthcare-related expenses in retirement have increased

23%

in the last 4 years.<sup>10</sup>

In retirement, a 65-year old couple will need

**\$296,000**

to cover their out-of-pocket healthcare costs.<sup>10</sup>



<sup>9</sup> Medpac, June 2018 Data Book: Health Care Spending and the Medicare Program. Total spending on health care services for noninstitutionalized fee-for-service Medicare beneficiaries.

<sup>10</sup> EBRI Issue Brief 460, October 2018.

## Health Savings Accounts can help employees manage healthcare expenses

A Health Savings Account (HSA) is a tax-advantaged savings account that helps those with qualified HDHPs prepare to pay for healthcare expenses when needed, like doctor visits, vision and dental care and prescriptions. HSAs also provide a number of important benefits:

Pre-tax contributions, potential gains and withdrawals used for qualified medical expenses are **exempt** from federal and most state taxes.

Any unused **balance carries over** from one year to the next.

HSA **funds can be invested to provide growth potential** over time to help supplement long-term savings for healthcare expenses.<sup>11</sup>

There is no time limit on when to use HSA funds — the **funds never expire** and can be passed to a beneficiary upon death.

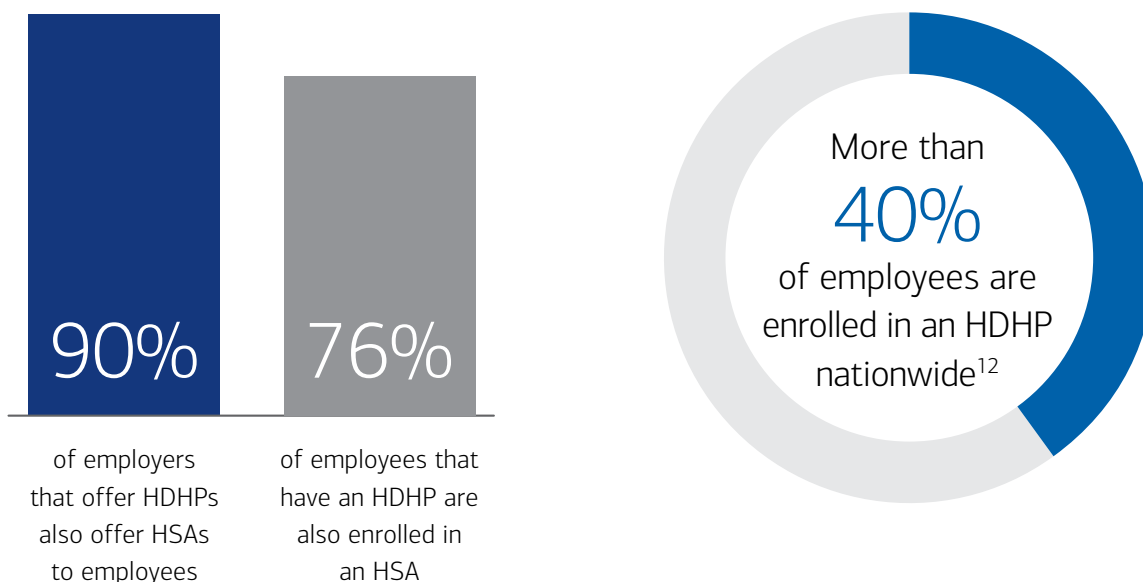
## For some employees, an HSA can help

For employees enrolled in a qualified HDHP — a health insurance policy with higher deductibles, but lower premiums — an HSA may be a powerful tool to help save for and manage healthcare expenses with the added benefit of being able to save additional funds in an HSA to cover healthcare costs in retirement.

Due to their lower premium cost, the prevalence of HDHPs among employees who receive healthcare as a workplace benefit has increased significantly in the past decade, at the expense of traditional healthcare plans.

## HSAs and HDHPs go hand in hand

Though it is not required to offer an HSA in conjunction with an HDHP, the vast majority of employers do offer this health expense savings vehicle, and the majority of employees take advantage of the benefit.

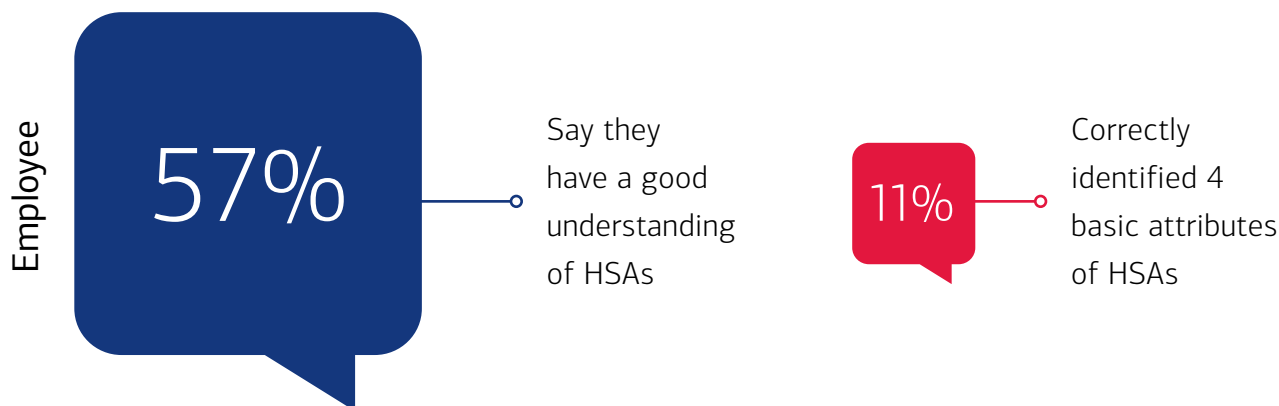


<sup>11</sup> Investing involves risk, including possible loss of principal value invested.

<sup>12</sup> Centers for Disease Control and Prevention, NCHS Data Brief No. 317, August 2018.

## However, understanding of HSAs is lacking

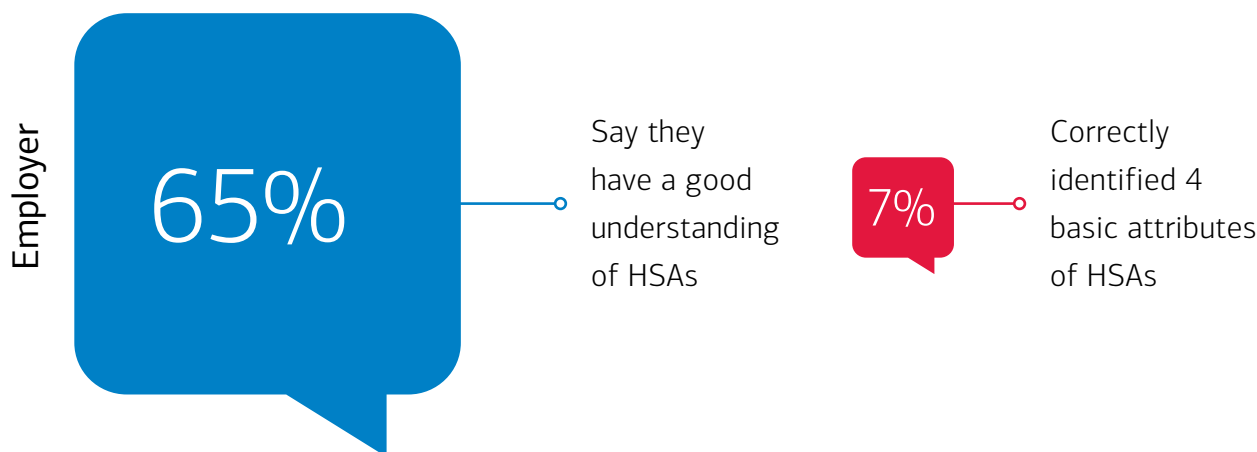
Employees are not only using their HSAs, a majority also say they have a good understanding of how their HSA works. However, a deeper analysis shows that full understanding of HSA benefits is lacking.



### Percent of employees that correctly identified each HSA attribute:

Offers a “triple” tax advantage <sup>13</sup>	30%
Funds in the account can be invested <sup>14</sup>	37%
Funds in the account do not expire	74%
Requires enrollment in an HDHP	78%

## And employer understanding is lacking too



<sup>13</sup> About Triple Tax Advantages: Participants can receive tax-free distributions from their HSA to pay or be reimbursed for qualified medical expenses they incur after they establish the HSA. If they receive distributions for other reasons, the amount withdrawn will be subject to income tax and may be subject to an additional 20% tax. Any interest or earnings on the assets in the account are tax free. Participants may be able to claim a tax deduction for contributions made to the HSA. We recommend that applicants and employers contact qualified tax or legal counsel before establishing a HSA.

<sup>14</sup> Investing involves risk, including possible loss of principal value invested.

# The unspoken burdens of caregiving



## Caregiving is having a dramatic impact on employees and employers

Employees today are more likely to care not just for children, but also for elderly family. Employees who are working while fulfilling these duties face an added burden of balancing their roles of worker and caregiver, which can affect employees as well as their employers.

## Caregiving is a blessing and a burden<sup>15</sup>

While caregivers often speak about how they feel fulfilled, caregiving can incur significant costs in terms of their finances, health, time and leisure, work and their other relationships.

<sup>15</sup> Age Wave/Merrill, 2017, "The Journey of Caregiving: Honor, Responsibility and Financial Complexity."

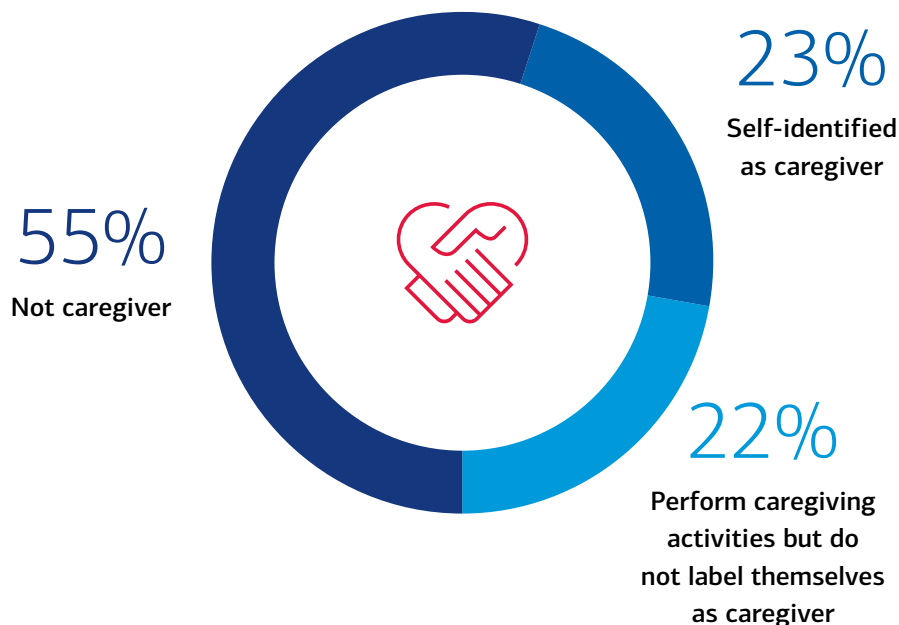


## Caregiving is more prevalent than employees recognize

When asked if they are a caregiver, less than a quarter of employees see themselves as a caregiver. Surprisingly, almost an equal number of employees perform caregiving activities, but do not label themselves as a caregiver.

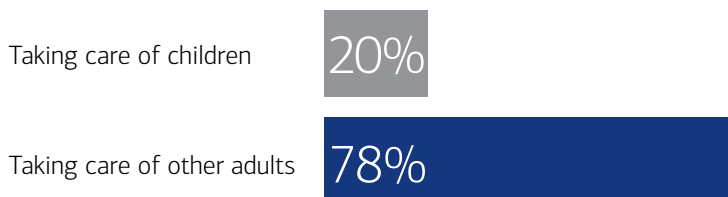
“I have given up hours at work as well as hours with my own family to be a caregiver. It is very stressful because my family needs me, but so does the person that I am a caregiver for at this time.”

— Survey respondent

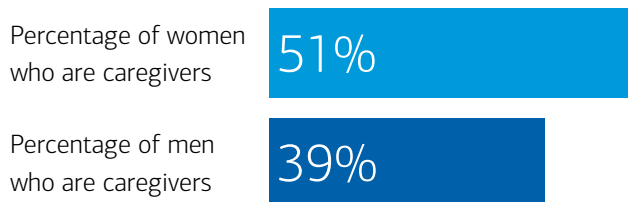


Just as importantly, employers underestimate how many of their employees are caregivers, estimating that only 29% are engaged in these activities.

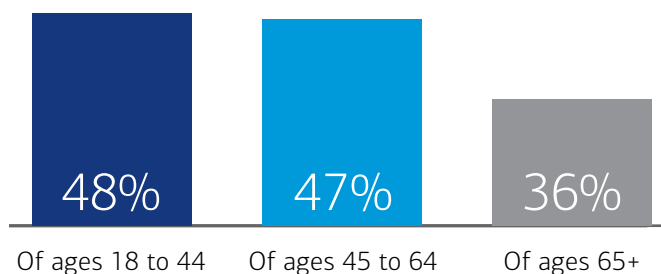
### Caregiving is about more than caring for children



### Women are more likely to be serving as caregivers



### Caregivers also span the ages



## Caregiving tasks are varied, yet demanding

Caregivers provide a wide range of support to those they are helping. For some, caregiving can be viewed as a second job with a number of demands that happen around the clock. Caregivers take on an average of 3.3 new responsibilities as part of their caregiving.

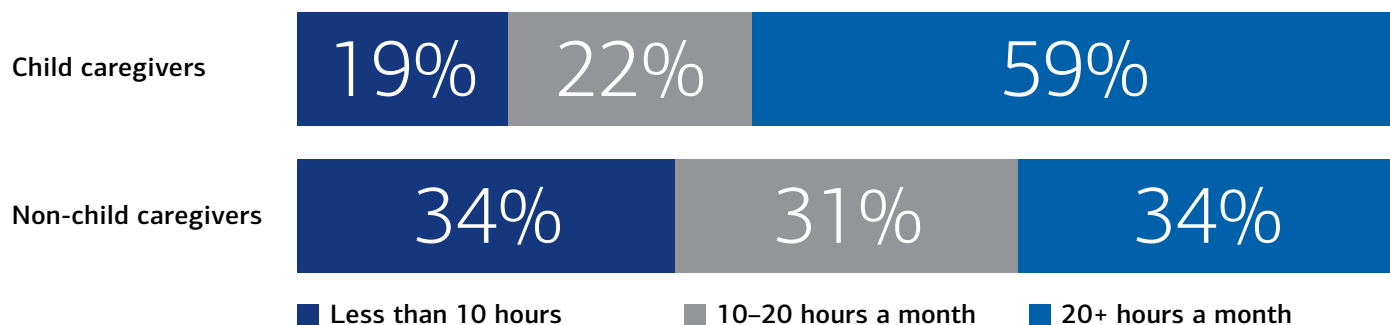
### Top caregiving tasks:



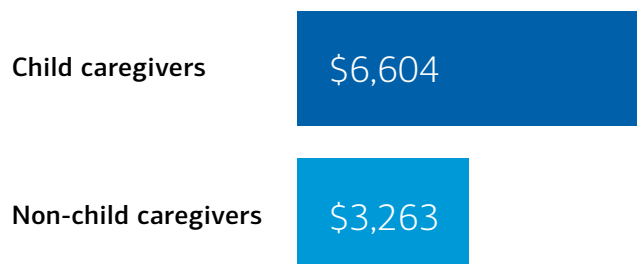
75%

of caregivers perform more than one of these tasks on a regular basis.

## Caregiving also has a measurable demand on a caregiver's time and finances



### Annual out-of-pocket expenses



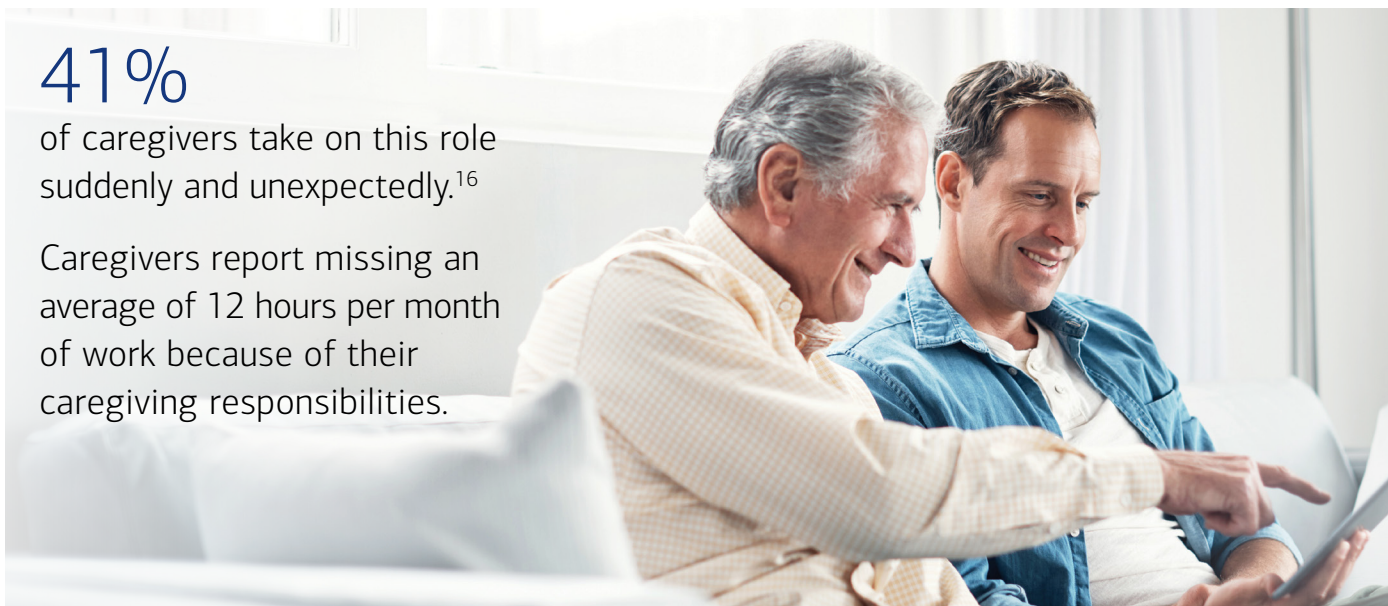
"I have 4 weeks of vacation and I tend to save 2 weeks to help my mom with things she may need."

— Survey respondent

# 41%

of caregivers take on this role suddenly and unexpectedly.<sup>16</sup>

Caregivers report missing an average of 12 hours per month of work because of their caregiving responsibilities.



### Employers and employees are not talking about caregiving

Even though nearly half of employees are caregivers, the topic is not one that is openly discussed in the workplace. Some employees don't think of themselves as caregivers and don't relate to caregiving support that may be offered. Others may be concerned about the repercussions of asking for help from an employer. And in some instances, employers are not promoting the support that caregivers can take advantage of, so employees don't know to bring the topic up.

# 88%

of employers offer some type of caregiving resources for their employees



# But only 29%

of employees are aware that their employer offers caregiving resources

# 62%

of employees who are caregivers think their employer does not know

# And only 34%

of caregiver employees have taken advantage of employer resources

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"[Caregiving] has added more stress to my daily life. I've had to rearrange my work hours to attend doctor's appointments or trips to the hospital. I work late to make up time. And I have to try to not use up all my PTO in case something major happens."

— Survey respondent

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<sup>16</sup> Age Wave/Merrill, 2017, "The Journey of Caregiving: Honor, Responsibility and Financial Complexity."

## Employees are asking for help managing the time burden of caregiving

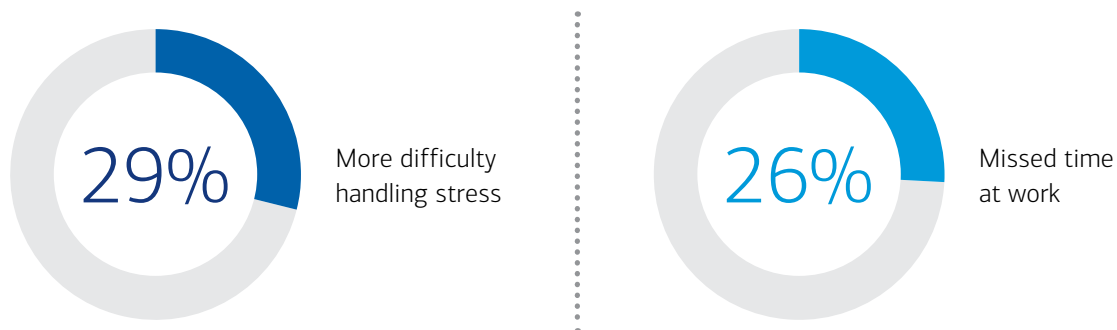
Given the significant time and financial demands, caregivers recognize the impact on themselves and their work that caregiving tasks can have. In fact, they cite a range of ways they think their employer could help.

### Top benefits caregivers say would be most helpful



In addition to seeking help with the time burden of caregiving, employees also acknowledge that caregiving has a negative impact on their workplace performance.

### Percentage of employees who admit that caregiving results in





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“I sometimes have to miss work because someone has a doctor or dental appointment and I have to take them... I sometimes get really stressed having to make decisions for them.”

— Survey respondent

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## How diversity & inclusion contribute to wellness in the workplace

### Diversity and inclusion may have a material impact on the bottom line

The pressure for companies and organizations to embrace diversity and support a more inclusive workplace is not just a social trend — it is also an economic one.

### What is diversity and inclusion?

While both can contribute to the performance of a company, diversity and inclusion are related and complementary goals:

- **Diversity** is the act of ensuring that a workplace represents the world at large with employees from a range of life experiences and personality types, including veteran status, as well as representing all races, genders, sexual orientations, abilities, cultures, religions and perspectives.
- **Inclusion** is the proactive and intentional steps employers and companies take to engage diversity in the workplace to make sure all points of view are represented and valued while also creating opportunities for people from diverse backgrounds to engage and connect.

The top quartile of companies for ethnic diversity are

**35%  
more likely**

to have higher financial returns<sup>17</sup>

Organizations with inclusive cultures are

**3 times  
more likely**

to be high-performing<sup>18</sup>



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“It makes me feel valued and realize that my organization wants the best for all its employees. A diverse population helps us be the best we can be.”

— Survey respondent

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<sup>17</sup> McKinsey, “Delivering Through Diversity”, January 2018.

<sup>18</sup> Deloitte Review, Issue 22. “The diversity and inclusion revolution: 8 powerful truths”, January 2018.

<sup>19</sup> McKinsey, “Delivering Through Diversity”, January 2018 and Deloitte Review, Issue 22. “The diversity and inclusion revolution: 8 powerful truths”, January 2018.

## Employers who offer diversity and inclusion programs understand the benefits

Among employers who already have diversity and inclusion programs in place, they note a wide range of benefits that are contributing to the bottom line and the long-term health of their firm.

### Top 5 benefits employers attribute to offering diversity and inclusion programs

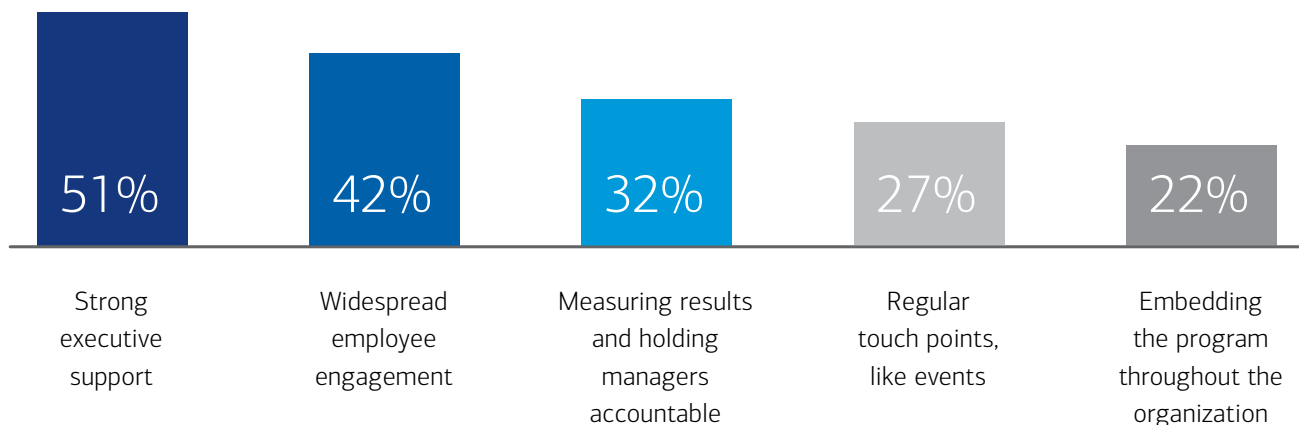
- 1 They are the right thing to do
- 2 They build a strong company culture
- 3 They improve brand image
- 4 They are important for retaining current talent
- 5 They are necessary for keeping up with the industry

“It definitely makes work awesome and fun. It also feels nice to know that my job cares more about its workers... than about the business.”

— Survey respondent



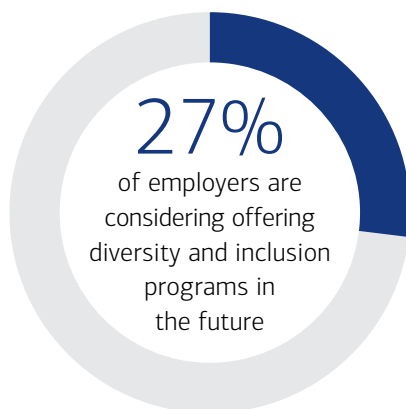
These employers also noted that diversity and inclusion programs need strong buy-in from company leaders to be successful. When asked, employers identified the following as the most important elements for success of a diversity and inclusion program.





### Diversity and inclusion programs still have a way to go

The benefits of a diverse workplace are well documented, but only half of employers have established diversity and inclusion programs in the workplace — and only a quarter are thinking about adding these programs in the future.



Only 49% of employees who are aware of the diversity and inclusion programs at their workplace participate

#### Bank of America's commitment to diversity and inclusion

At Bank of America, we believe diversity and inclusion makes us stronger and is essential to our ability to serve our clients. We believe that successful workplace benefit programs go beyond traditional retirement and health benefits to deliver resources and support for employees across all life stages, ethnicities, cultures, genders and experiences. Workforces with diverse thinking and demographics and a shared understanding of inclusion based on fairness, respect and a safe and open culture are truly people first.

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"I feel happier that my workplace is so diverse and accepting. It brings a lot of new perspectives in and creates an open exchange of ideas and experiences."

— Survey respondent

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## Tips for employers looking to increase employee wellness

### Employers play a role in the financial journey of their employees

The financial journey of employees is becoming more and more complex. The challenges they face, from planning for retirement to managing healthcare costs and caring for family members, all contribute to their feelings of financial wellness.

With the health and wellness of employees having a profound impact on the health of a business, employers play an important role in helping employees address the challenges they face. Employers can do more by taking a more proactive role — which includes considering the action steps listed on the next page — in helping employees live their best financial lives.



Promote the realities of growing healthcare costs and planning options, like an HSA, that can help employees better manage these expenses.

- Help tackle the lack of understanding around HSAs that may be leading to a lack of use by employees. Focus HSA education on the key benefits of HSAs and ways to use them as a planning tool for future healthcare costs.
- Promote the benefits of HSAs, including that there are no time limits on using funds; balances carry over year to year; funds can be invested for growth potential; and when spent on qualified healthcare expenses, HSA funds are exempt from federal and most state taxes.
- Expand financial education content to include steps employees can consider to better manage current and future health expenses.

Create a “culture of caring” from the top down. Bring the caregiving conversation out into the open so caregivers understand what support they have and feel confident asking for help when they need it.

- Develop a company-wide understanding of caregiving. Caregiving is underestimated by employers and the employee caregivers themselves, so education is needed to highlight all the ways people serve in this important role.
- Train managers on the effects of caregiving and encourage them to dispel incorrect assumptions about working caregivers. Ensure managers understand the requirements of the Family and Medical Leave Act (FMLA) and assist employees in filling out required forms.
- Expand workplace financial wellness programs to offer tools and support that take into account caregiving demands on employees’ time and finances.
- Consider expanding the support groups and benefits offered to caregivers and promote these resources to employees, so they know what help is available to them.

Work to expand both the availability and use of diversity and inclusion programs in the workplace.

- Support and encourage diversity and inclusion efforts — regardless of firm size — to capture the clear benefits to employees and employers that these programs offer.
- Educate managers and employees about the value of these programs. Talk with your employees in a way that they can feel connected to diversity and inclusion and ask managers to serve as an example, sharing their own experiences and best practices.
- Embrace the diversity of your people by supporting employee networks to join others with shared backgrounds and interests.



# About the 2019 Workplace Benefits Report

Escalent conducted 15-minute online surveys between February 1, 2019 and February 26, 2019 with both retirement plan participants and benefits decision makers at firms across the United States. Respondents were not required to work with Bank of America, nor was Bank of America identified as the sponsor of the study.

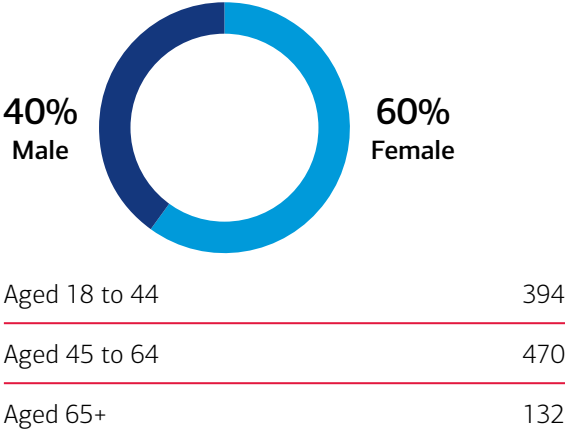
804 respondents were employers

996 respondents were employees

### Employers represented a range of retirement plan sizes:

Respondents with less than \$20 million in plan assets	403
Respondents with \$20 million to \$100 million in plan assets	202
Respondents with more than \$100 million in plan assets	199

### Employees represented a mix of gender and ages:



Bank of America Retirement & Benefit Plan Services empower employers and employees to take action and work toward their financial goals today and into retirement.

For more information about how we can help your company make the financial lives of your employees better, contact your Bank of America representative or call **877.902.8730**.

You can also visit us online at [baml.com/benefitsreport](http://baml.com/benefitsreport).

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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.

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