March 2015

DC INVESTOR SURVEY

Biannual Report

Financial stress impedes employees' ability to take action and hurts the corporate bottom line

STATE STREET GLOBAL ADVISORS

About the State Street Global Advisors Biannual DC Investor Survey

State Street Global Advisors' (SSGA) Biannual DC Investor Survey was developed to give a voice to the people who interact with and invest in defined contribution plans. Insights into participants' beliefs, attitudes and behaviors can inform improvements to DC plans and help participants achieve greater success in planning for and enjoying retirement.

The March 2015 survey focuses on the emerging concept of financial wellness. Topics for research and analysis included the following:

- Participants' levels of stress related to financial matters
- The extent to which that stress affects their performance at work
- The tools and resources participants seek to help manage financial needs and stresses

Survey Methodology

This survey was fielded in partnership with TRC Market Research, an independent marketing research firm located in suburban Philadelphia. To protect respondents' anonymity, TRC was responsible for survey administration and data analysis. SSGA received the aggregate data for analysis purposes only.

The data were collected in January 2015 through a 20-minute Internet survey using a panel of 1,009 verified 401(k), 403(b), 457(b) and profit-sharing plan participants, aged 20 to 69, who are currently working at least part-time.

Sampling error

The sample has a maximum sampling error of +/-3.1 percentage points at a 95% confidence level.

Executive Summary

Nearly half of the defined contribution participants who responded to the March 2015 SSGA Biannual DC Investor Survey say they are living paycheck to paycheck. About 50% are not completely confident that they could find $1,000 in an emergency, and 1 in 3 have paid a bill late in the last six months. These factors and others indicate that participants are overwhelmed by their financial obligations—and the resulting stress is hurting their performance at work.

The Stress of It All

More than 3 in 5 participants experience a moderate to high level of financial stress. Although there are some variances by age, the greatest financial stressors reported are health care, mortgages, lack of preparation for retirement and meeting basic household expenses. As many as 4 in 10 participants across income levels say financial stress has caused their productivity at work to suffer.

How Employers Can Help

The vast majority (80%) of employees agree that their employer should provide resources to improve their financial wellness and decrease their stress levels. At a Financial Wellness Workshop we hosted late last year, the Fortune 500 plan sponsors in attendance unanimously agreed that there is a clear rationale for adopting strategic financial wellness programs: Employers recognize that by helping reduce employees' financial stress, employees' overall stress levels may decrease as well. This outcome has obvious benefits for individual employees and may also increase productivity, decrease absenteeism and boost the corporate bottom line.

Implementing a Financial Wellness Program

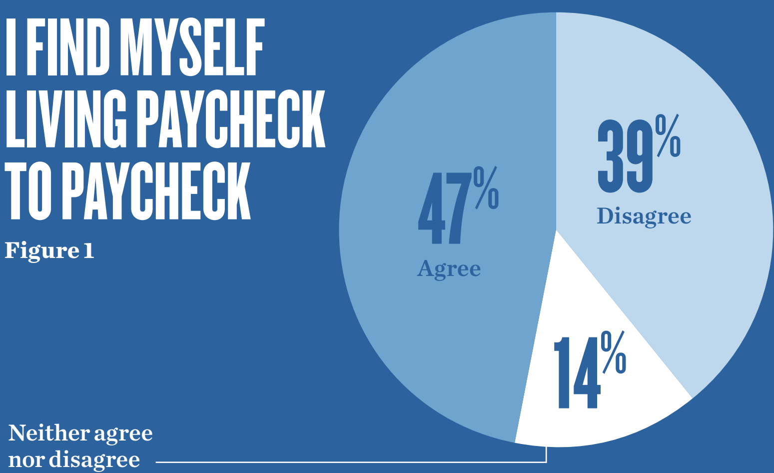
Plan sponsors can consider an array of strategies, including:

- Setting a financial wellness agenda. Focus on areas in which your participants need help and your organization is equipped to assist.
- Quantifying the real costs of financially unfit employees to your organization. Then track changes to those costs over time.
- Organizing and promoting the tools you already have so they are more accessible to employees.

MOVING THE NEEDLE ON FINANCIAL WELLNESS

I FIND MYSELF LIVING PAYCHECK TO PAYCHECK

Figure 1



Making late payments

Figure 2

	Paid a bill late*	Paid a late fee*
All Ages	35%	30%
Ages 20–29	53%	45%

* In the last six months

Defined contribution plan participants are distracted and stressed out by their finances—and that stress is affecting their performance at work. Those are the major findings of the March 2015 SSGA Biannual DC Investor Survey, in which we sought to better understand how participants' financial lives affect their jobs, and the role employers can play in helping to mitigate their financial troubles. The results confirmed our hypothesis that participants would welcome assistance from their employers, even though participants may not be taking full advantage of the tools and resources already available to them.

Plan sponsors already support employees' retirement readiness. Yet for many employees the importance of retirement planning fades in the face of more immediate concerns: Nearly half of respondents say they are living paycheck to paycheck, for example. (See Figure 1.)

In addition, a sizable minority have paid a bill after its due date or paid a late fee in the last six months. Younger employees are considerably more likely to struggle in this area. (See Figure 2.)

The emerging field of financial wellness offers a way to help employees address near-term financial concerns. Such programs may help employees free up cash and mental energy to tackle longer-term challenges, including preparing for retirement.

Sources of financial stress

More than 3 in 5 participants experience a moderate to high level of financial stress. Health care, mortgages and basic household expenses are among the greatest financial stressors—as is lack of preparation for retirement. (See Figure 3.) Participants' concerns vary by age: Younger participants feel more anxiety about student loans, while participants aged 40 and older worry more about health care costs and retirement readiness.

How stress affects work

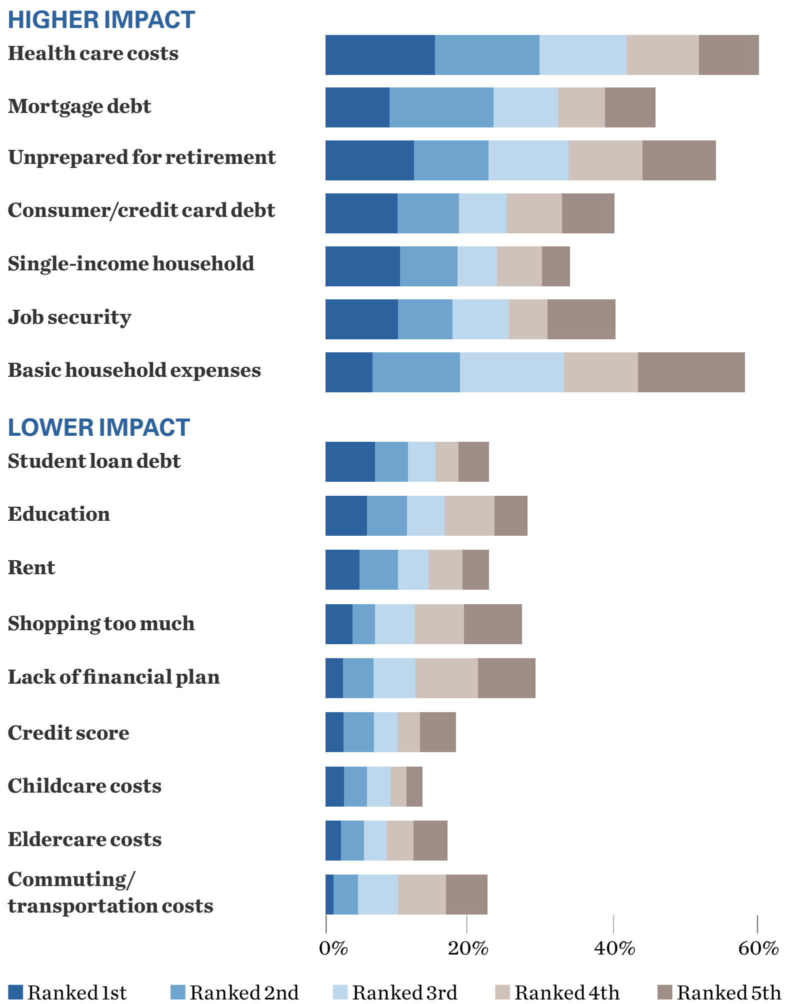
Although financial stress starts in people's personal lives, it inevitably seeps into their work lives. As many as 4 in 10 participants across income levels say financial stress has caused their productivity at work to suffer. (See Figure 4.)

What's more, participants say financial stress hurts their productivity nearly as much as stress resulting from work obligations, such as deadlines. On average, respondents say they spend five hours of work time each month dealing with their personal finances.

Specific financial stressors

Figure 3

Participants ranked their top five stressors from a list we provided



The stresses employees face

Figure 4

	Suffered the following distractions*	Missed work due to these distractions*
Emotional stress due to finances	47%	29%
Dealing with debt-related tasks	37%	25%
Physical stress due to finances	27%	25%

*At least once in the last year

What employers offer—and what employees use

Figure 5

Services and support	Employers offering it*	Employees using it sometimes or regularly**
Retirement planning support	40%	65%
Employee assistance program	35%	37%
Banking services	21%	76%
Financial planning software/tools	17%	73%
Financial management education	15%	70%
One-on-one financial advising	13%	68%

*As reported by DC plan participants
**Of employees whose employer offers the program

The financial programs employees want

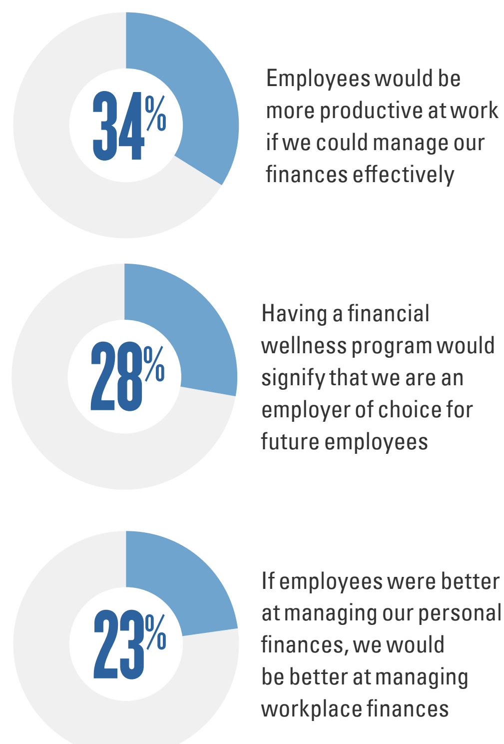
Figure 6

Percentage who are moderately or very likely to use each program

- **61%** Automatic savings program that deducts a small percentage of your paycheck and places it in a savings account for emergencies
- **60%** One-on-one financial planning assistance
- **57%** An online tool that aggregates all of your financial information to help you manage your household finances
- **52%** Workshops and tools on budgeting and saving
- **50%** Workshops and tools on building healthier spending habits
- **45%** Stress management course
- **45%** Assistance in making a large purchase or financial decision, such as taking out a college loan or mortgage

Most important reason for employer to offer a financial wellness program

Figure 7



How employers can help

Employers' benefit packages typically include a host of programs and tools employees can use to support their financial well-being. This assistance is welcomed by employees, 80% of whom agree that their employer should provide resources to improve their financial wellness.

In general, employees say affordability and convenience are the chief reasons they would participate in an employer-sponsored financial wellness program. However, employees with fewer investable assets are more likely to say that they don't have the funds to spend on a financial advisor, while people with higher income and more assets find convenience and trust in their employer to be the most compelling reasons to use a wellness program at work.

Figure 5 lists services and support cited by employees; note that employees may under-report services their employer offers and over-report their own usage of those services.

Respondents say they are interested in additional offerings that could help them better manage their financial lives. Individuals who are in their 30s are more interested than their older and younger colleagues in using most of the programs we proposed—perhaps a reflection of the growing financial obligations accrued by 30-somethings.

Meanwhile, respondents on the whole show a clear preference for both automation and personalized assistance. In both cases, they are looking for direction and guidance on exactly what to do next, as well as peace of mind. (See Figure 6.)

Participants themselves see increased productivity as the greatest potential benefit to a financial wellness program at work. (See Figure 7.)

BEST PRACTICES FOR PLAN SPONSORS

The DC Investor Survey powerfully demonstrates that employees want their employer to provide resources to improve their financial wellness. This work is a natural outgrowth of plan sponsors' efforts to build retirement readiness, and may help prevent leakage from employees' retirement savings accounts.

Employers who want to establish or expand a strategic financial wellness program should consider the following tips from Fortune 500 companies that are blazing the trail for financial wellness programs[1]:

1 **Prioritize.** Set a financial wellness agenda, focusing on areas in which your participants need help and your organization is equipped to assist. Consider a measured approach to avoid overwhelming both administrative staff and employees.

2 **Follow the numbers.** Quantify the real costs of financially unfit employees to your organization and track changes to those costs over time. Consider including data on absenteeism, medical spending, performance ratings and turnover, and aggregating it based on age and salary or job level.

3 **Promote the tools you already offer.** Make the tools you already have more accessible to employees. Consider putting them all in one place, organizing them by life and/or career stage and promoting them in creative ways to boost utilization.

4 **Collaborate.** Bring your service providers together to determine how you can focus their collective resources on specific communication priorities—whether it's explaining how to use a health savings account (HSA) or describing how the retirement plan's default option works.

5 **Set a schedule.** Plan your promotion strategy with themes that make sense for both the calendar year and your benefits calendar. For example, make January "estate plan preparation month" to build on employees' New Year's resolutions. In February, leverage any available tax preparation benefits, and so on.

6 **Automate for emergencies.** About 50% of participants are not completely confident they could come up with $1,000 in an emergency. Consider making savings accounts available through credit union partnerships or even automatically enrolling employees in an emergency savings fund in conjunction with your retirement savings plan.

[1] Recommendations from members of the Financial Wellness Working Group, which gathered in New York in December 2014 to share information and best practices.

This article is an excerpt from
State Street Global Advisors' publication

The
PARTICIPANT
Winter/Spring 2015

Additional Articles
For additional insights into the survey findings, read the Winter/Spring 2015 issue of ***The Participant*** at **ssga.com/dc/theparticipant**.

Learn More
For more information about SSGA's DC capabilities and investment strategies, email **theparticipant@ssga.com**.

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For nearly four decades, State Street Global Advisors has been committed to helping our clients, and those who rely on them, achieve financial security. We partner with many of the world's largest, most sophisticated investors and financial intermediaries to help them reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. With trillions* in assets under management, our scale and global reach offer clients access to markets, geographies and asset classes, and allow us to deliver thoughtful insights and innovative solutions.

State Street Global Advisors is the investment management arm of State Street Corporation.

* Assets under management were $2.47 trillion as of December 31, 2016. AUM reflects approximately $30.62 billion (as of December 31, 2016) with respect to which State Street Global Markets, LLC (SSGM) serves as marketing agent; SSGM and State Street Global Advisors are affiliated.

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