

RETIREMENT & BENEFIT PLAN SERVICES

# 2017 Workplace Benefits Report

Insight for employers to drive employee engagement and empower them to live their best financial lives

Bank of America  
Merrill Lynch





## A strong financial wellness program can help employers build a thriving, productive workforce

Bank of America Merrill Lynch is dedicated to helping companies meet their employees' growing needs by providing financial solutions and guidance. We strive to help employees better understand and manage their finances and empower them to live their best financial lives.

Once again this year, we have focused our annual *Workplace Benefits Report* on employees. This study is one of the many ways we learn about the attitudes of employees on key financial topics as well as uncover their needs and concerns. These insights help us better serve the companies we work with and their employees, helping to ensure the education and services we deliver meet the needs of employees, actively engaging them in the management of their finances.

The survey was conducted in a year fraught with change, including the election of a new president, yet the results show that respondents were optimistic about the future.\* However, even as many are optimistic about the future, concerns still remain. Stress about financial issues has increased over the last year and the cost of healthcare continues to pose a challenge. Employees have expressed a desire for help with managing a range of financial matters and are open to help from financial professionals, 401(k) providers *and their employers*.

The fact that employees look to their employers for guidance on financial matters is no surprise. An employer-sponsored retirement plan ranks second only to healthcare as the most important employee benefit. Our study shows an increasing desire for employers to offer broader financial education, guidance and advice that goes beyond retirement savings, underscoring the powerful role the employer can play in delivering a meaningful benefit to employees. That is why we are dedicated not only to helping support the needs of employees, but also to help employers build and deliver a program that helps to answer those needs.

In addition to sharing insights like the *Workplace Benefit Report*, we provide thought leadership on a number of areas impacting the workplace and employees, including topics such as longevity, elder care and Alzheimer's. Our Workplace Solutions offer a robust set of solutions to employers and their employees.

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

\* For survey methodology, please see page 23.

# In this year's report

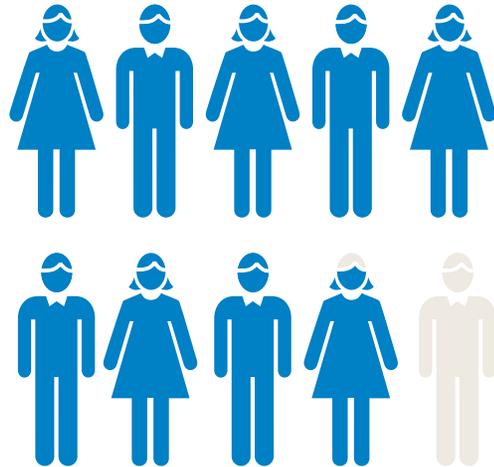
- Employees are optimistic about their financial future ..... **4**
- Even optimistic employees have concerns..... **7**
- As a result, employees are spending working hours focused on finances ..... **9**
- Financial stress leads to distraction and can negatively impact employee health..... **10**
- Employees indicate they want help managing financial matters..... **14**
- Employees are looking to employers for help beyond retirement..... **16**
- A little help can get employees to take a more active role in managing their finances..... **18**
- Research shows employer choices affect employee behaviors..... **20**



# Employees are optimistic about their financial future

For the second year in a row, employees have indicated that they are optimistic about their financial future. An improving economy and strong financial markets are only part of the story—employees' optimism is enhanced by feeling good about their financial situation, health and even job security. However, the feeling of optimism is far from universal and the drivers of these positive sentiments can quickly change with macroeconomic shocks or significant life changes.

87%  
of employees  
are optimistic  
about their  
financial future



**Strong optimism is even more prevalent among younger employees, with more young people stating they are very optimistic about their financial future**



**More men than women are very optimistic about their financial future**





## Top three reasons for financial optimism

49%

Being in good health



51%

Living within their means

45%

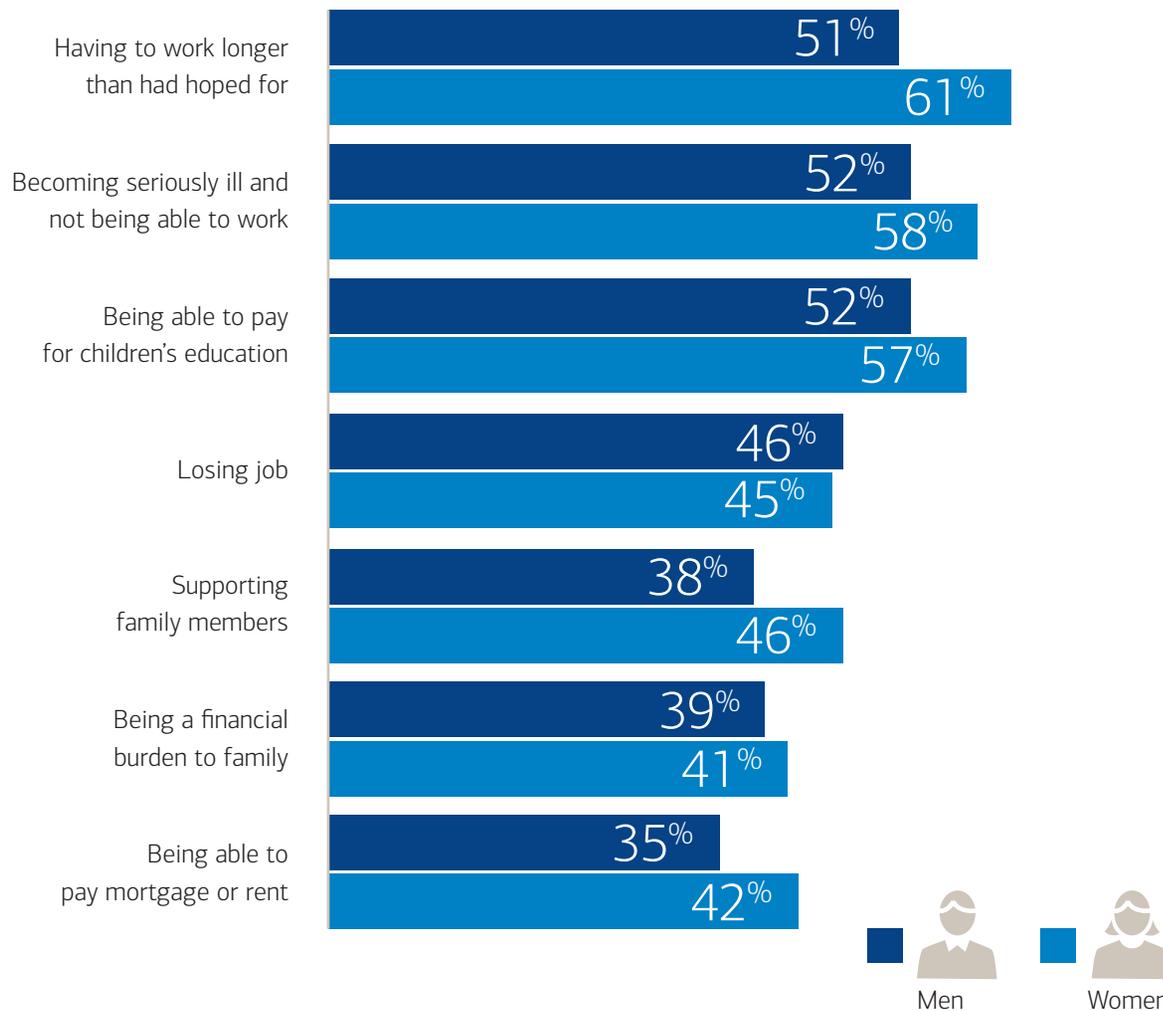
Having a well-paying job



64%

of employees are worried  
about running out of  
money in retirement

# Even optimistic employees have concerns, particularly women



Employee optimism is a great starting point on which to build a disciplined planning and review process. As an employee's situation changes, active engagement and a dynamic financial strategy can help them stay on course towards their goals.

# Life events can have a profound impact on employees' finances



When asked what they would do differently, **over half of employees said they would have saved more before these key life events.**

Taking time to educate employees about the potential impact of major life events can help them better prepare and estimate the financial impact of future events and potentially minimize the impact on other aspects of their lives.

Employees report that certain life events had the greatest impact on their finances



 29% were not financially prepared for it

 47% underestimated its financial impact

# As a result, employees are spending working hours focused on finances

The financial concerns of employees can become a challenge for employers as well. Employees who are overwhelmed and feeling financially stressed are bringing their worries to work and spending significant time dealing with personal financial matters while “on the clock.”

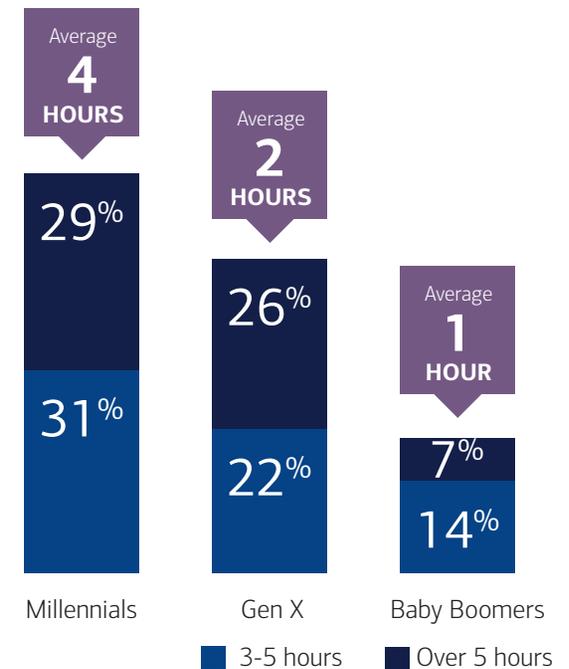
## Employees spend significant time at work on personal financial matters each week



Employees spend a median of 2 hours a week, which amounts to

**100 HOURS**  
a year

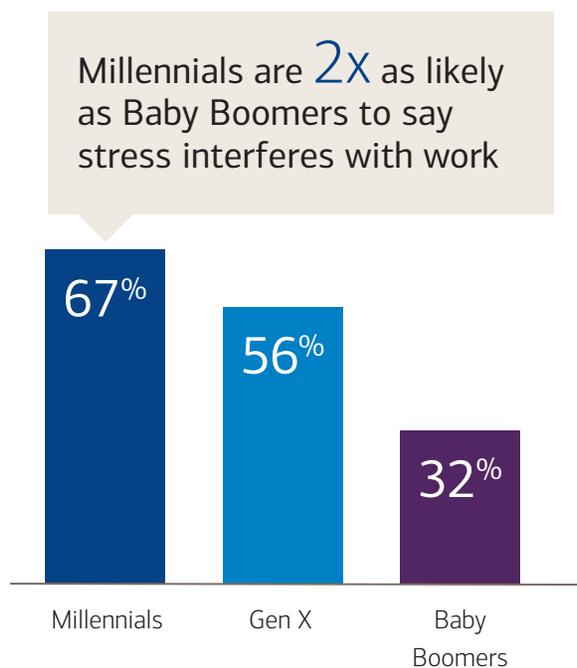
## Younger employees spend significantly more time each week at work on personal finances—double that of Gen X and 4x that of Baby Boomers



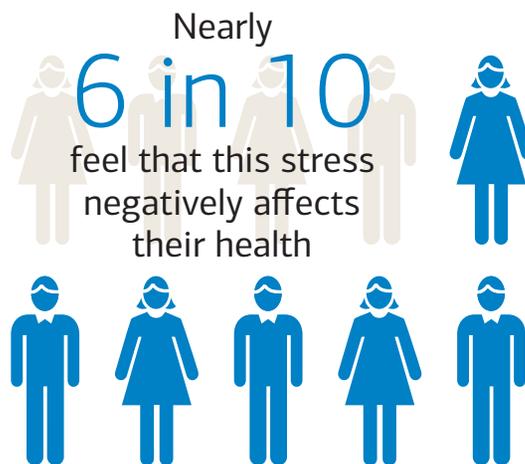
Financial stress leads to employee distraction and may even negatively impact their health



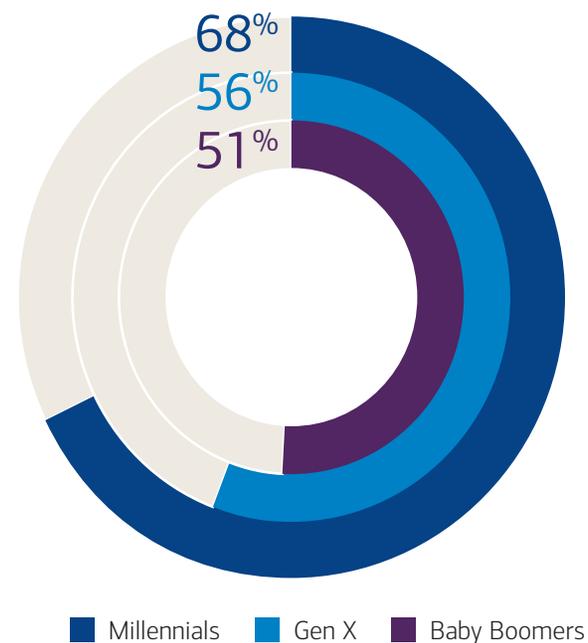
Stress wears most heavily on younger employees' productivity.



Beyond just feeling stressed, financial concerns can also have a real impact on employee health. With more than half of employees noting that financial stress has a negative effect on their physical health, employers can be impacted by more than just productivity issues, including challenges of increased absenteeism and healthcare costs.



Stress wears most heavily on the health of younger employees with large numbers expressing that stress negatively affects their health.

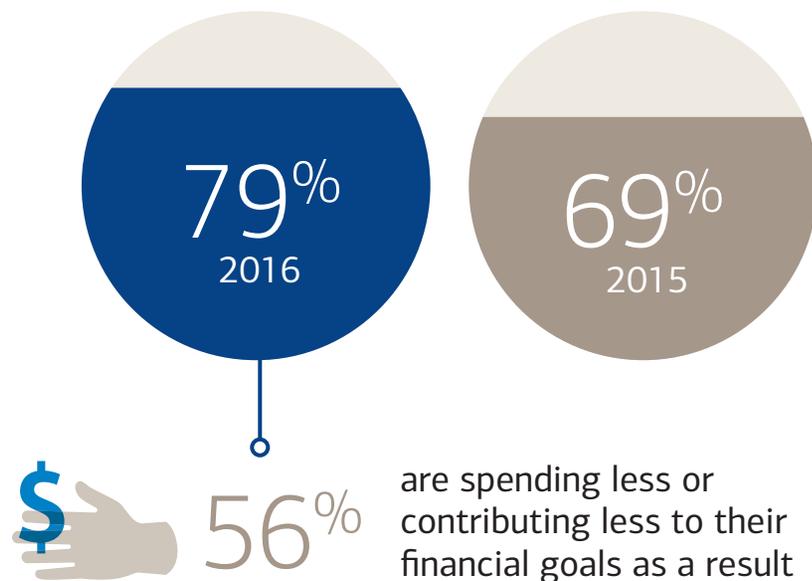


By helping employees tackle financial concerns head-on through financial wellness programs, employers may benefit from enhanced employee confidence, satisfaction **and** productivity.

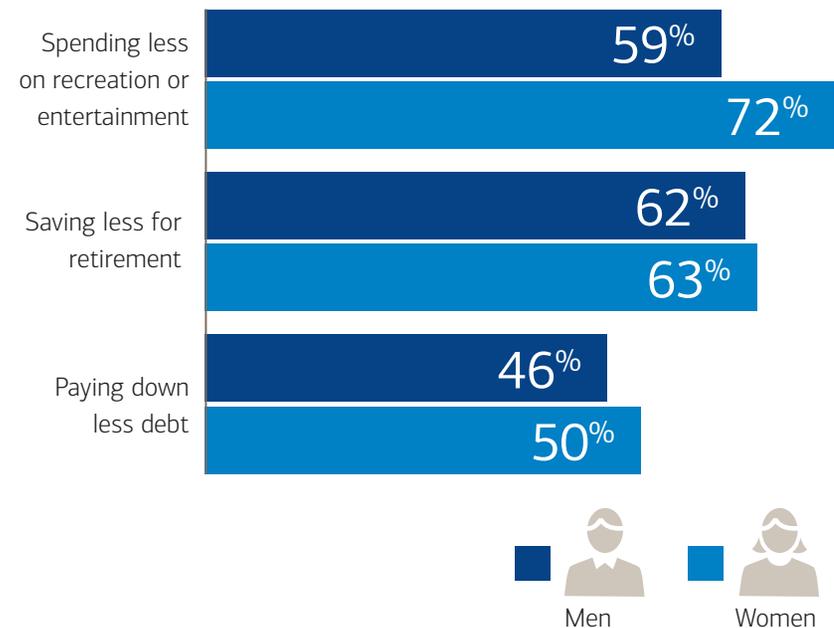
# Managing healthcare costs can also be a source of financial stress

Health can be both the victim of financial stress as well as the cause. A growing number of employees indicate they have experienced an increase in healthcare costs. As a result they are spending less, saving less and paying down debt more slowly.

## Employees who have experienced an increase in healthcare costs



## Higher healthcare costs impact women more than men, with women foregoing discretionary spending and debt management to cover healthcare costs



Managing healthcare costs and retirement savings go hand-in-hand and can exert significant influence on each other. As employees start to save less for their future needs to cover their healthcare costs today, their ability to fund the future and retirement they envision is placed at risk.

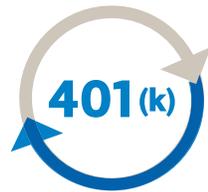
# Healthcare and 401(k) plans remain valued employee benefits

Employers play a central role in helping employees manage both their health and their retirement, with health benefits and 401(k) plans ranking as the top benefits of employment. Given how other factors can affect an employee's ability to manage both their health and retirement readiness, employers may want to ask how they can address the root causes of financial stress as well.

## Employee's choice of their top employment benefit

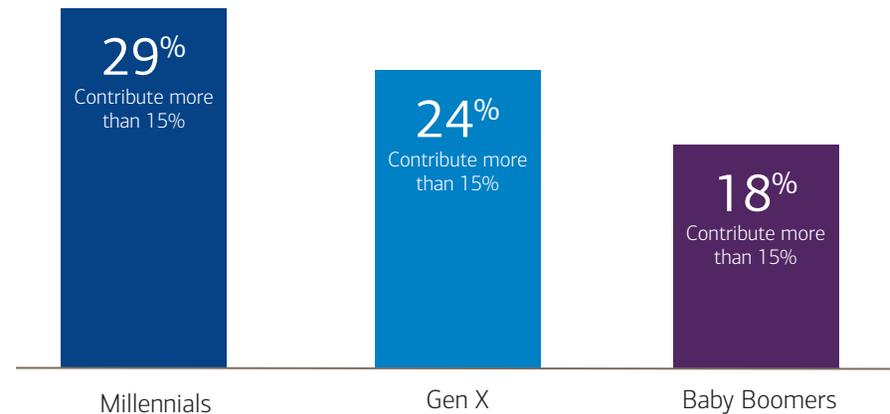


40%  
Health benefits



31%  
401(k) plan

## Employees are engaged with 401(k) plans—with over 1/3 contributing 11% or more of their salary to their plan, and many contributing more than 15%

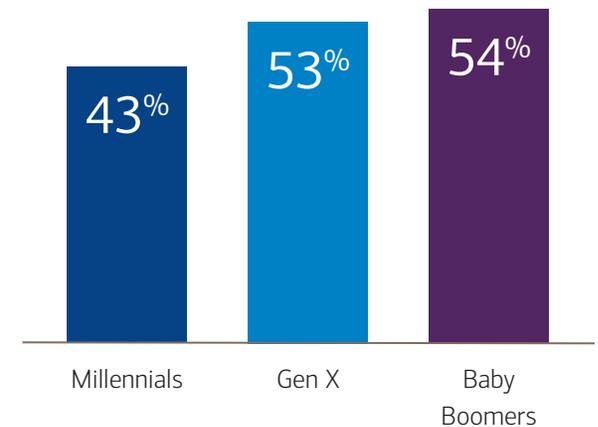


# Employees want help managing a range of financial matters

## #1 issue

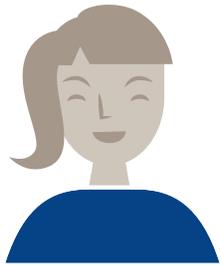
Employees say they need help saving for retirement, with 50% ranking it at the top.

This number increases with age



While it continues to be the top issue employees are focused on, concerns extend beyond just retirement. A significant number across age groups indicate that they are also concerned about paying down debts and smart financial management habits.

**Age also impacts what other financial matters are most important to employees**



For Millennials

#2

Good general savings habits

#3

Paying down debt



For Gen X

#2

Paying down debt, good general savings habits and budgeting are all tied



For Baby Boomers

#2

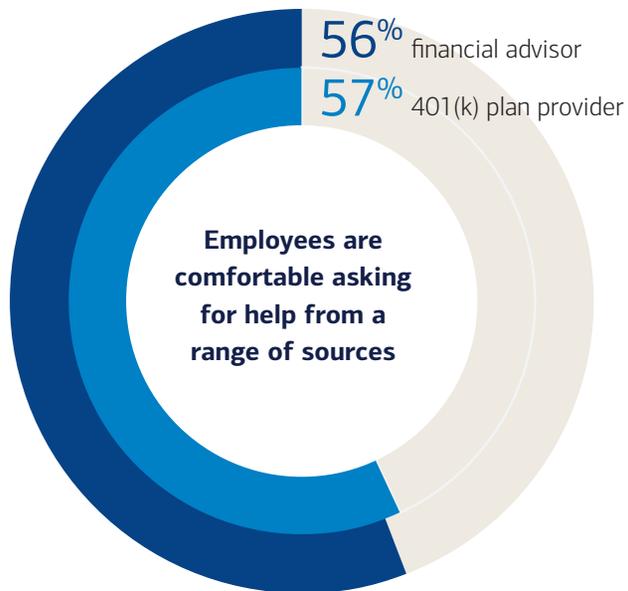
Planning for healthcare costs

#3

Paying down debt

# And employers are seen as a potential source of help beyond retirement

Employees understand that they can access professional help to assist with financial strategies and management. They look to their employer to facilitate getting access to education and contact with a financial professional. Whether just getting access to educational materials, financial professionals or a comprehensive financial wellness program, employers are seen as a trusted source for help by employees.



## At least 40% would like their employer to:





86% of employees surveyed would participate in a financial education program provided by their employer

Age plays a factor, with younger employees indicating that they are more likely to participate

92%

Millennials



89%

Gen X



76%

Baby Boomers



89%



VS

84%



Men are also slightly more likely to participate than women



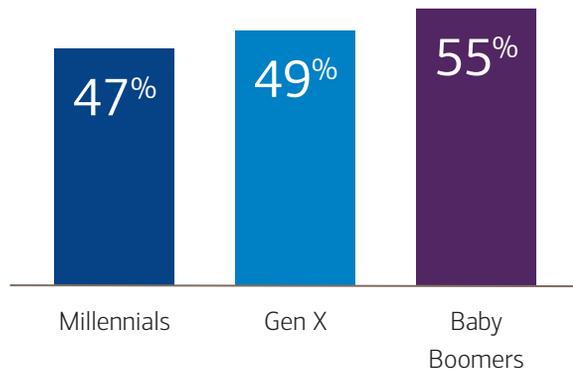
Employers can be a powerful resource in helping employees pursue their financial goals beyond retirement and reduce the financial stress they are feeling. With topics as sensitive as retirement, debt management and financial strategies, the desire for employers to provide help and a willingness to participate in financial education programs is significant.

# A little help can get employees to take a more active role in managing their finances

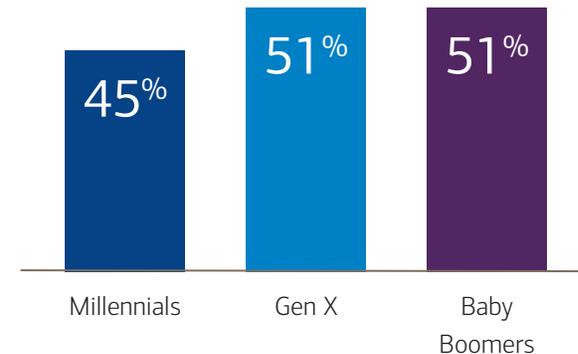
Employees would assume a more active role in their financial situation, if they:



Older participants are more likely to rank an annual review highly...



...As well as rank a personalized plan as useful



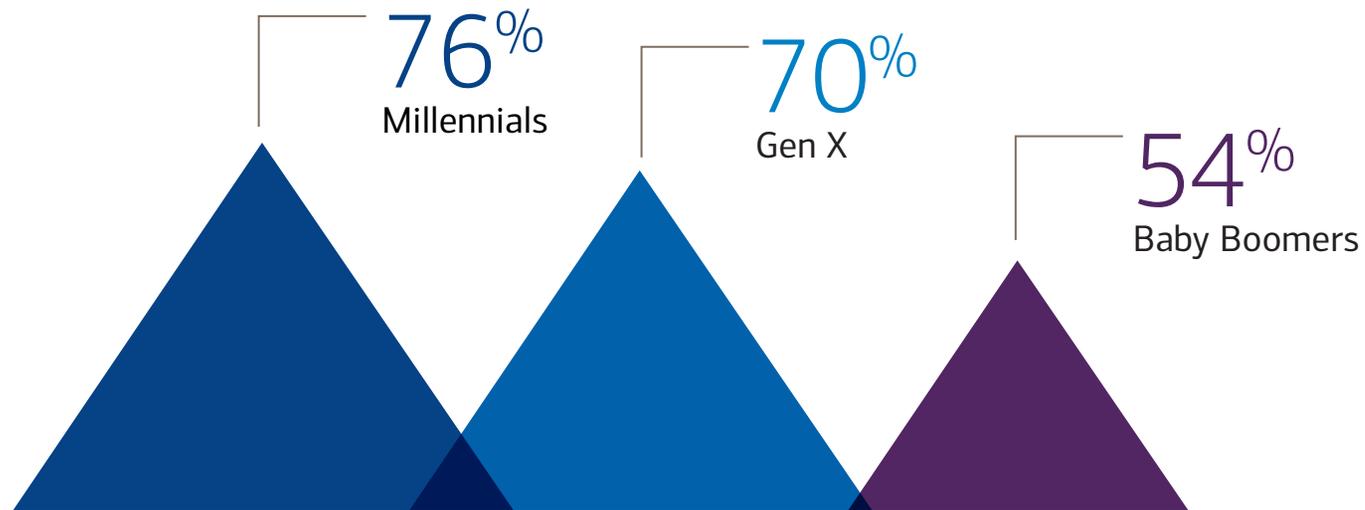


Women are more likely than men to rank both a regularly scheduled review and personalized action plan highly

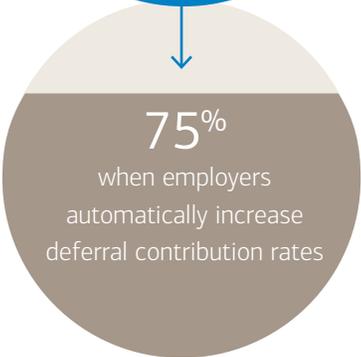


# Our research shows employer choices affect employee behaviors

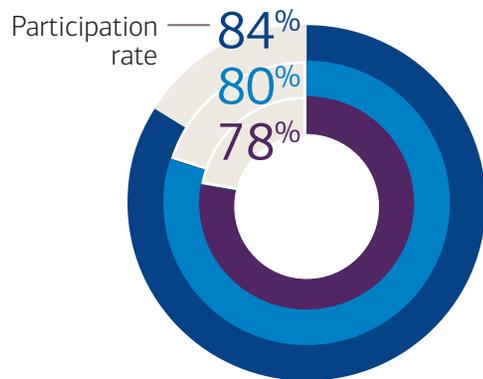
67% of employees say their employer was influential in getting them to save for retirement



Employers can dramatically increase their employees' engagement and financial wellness by taking small steps. Making slight changes to retirement plan design and offering access to an action plan can encourage employees to make better decisions today and for the future—potentially positively impacting their financial situation and retirement savings because they are taking a more active role in managing their finances. More importantly, it can help employers establish a culture of financial wellness that can help reduce employee stress, help employees save more for retirement and help put them on a path towards retirement success.



**We've seen higher employer-designated auto-deferral rates can result in greater participation\***



Auto-deferral rates

- 6+%
- 4-6%
- 3%

\*Source of auto-default data: Plan Wellness Scorecard, June 30, 2016.



# In conclusion

Employees, while optimistic, are clearly looking for help better understanding how to manage their financial lives. There is an opportunity here for employers to provide needed education and access to professionals to help their employees with a broad range of solutions. From wanting to learn better money habits to how to manage major life events, employees are seeking assistance in planning and managing their finances today and tomorrow.

They also know they don't have to go it alone. Employees see financial professionals and financial firms, like their 401(k) provider, as a reliable resource for financial strategy support. Employees are naturally looking to their company for help with their ongoing challenges as they balance day-to-day living and save for the future.

Employers can make a big difference in their employees' lives by offering a financial wellness program designed to meet their needs, addressing real life issues employees face every day. Employers who embrace a culture of financial wellness—similar to the culture created around health wellness—can create a workplace that helps relieve employee stress and may make employees healthier and more productive in the long run.

Employers can provide a much-needed benefit to employees by looking to a financial services provider for access to the education and planning support services that their employees want. They should also expect access to research and insights that help them stay ahead of the issues that affect their benefits strategy and the kind of hands-on support that engages employees and makes their job easier.

**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 **1.877.902.8730**.

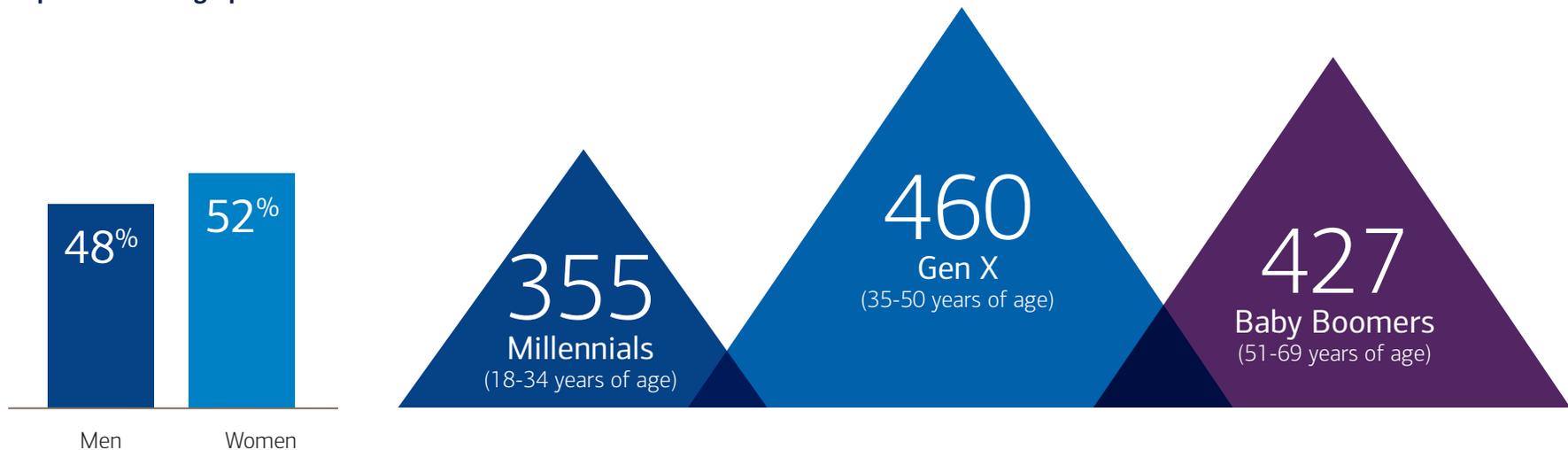


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# About the Workplace Benefits Report

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:



This report is designed to provide general information for plan fiduciaries 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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<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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