



Financial Wellness Taskforce

October 2017

This call is being recorded.

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ERIC Member Services at memberservices@eric.org.



Driven By and For Large Employers

Participation Procedure

- Procedure for audience participation
- Audience will be in a “listen-only” mode
- If you wish to ask a question or make a comment, please press *6 on your telephone to “un-mute” your telephone
- After speaking, please press *6 again to re-enter “listen-only” mode

ERIC's Antitrust Policy

As a reminder, all ERIC meetings and activities are to be conducted in full compliance with the ERIC Antitrust Policy. The antitrust laws prohibit competitors from agreeing on prices to be charged or otherwise taking steps that harm free and fair competition among them. While ERIC's primary mission and activities are entirely consistent with the antitrust laws, if you have any concerns about a particular topic or discussion, please raise it with ERIC staff.



Defining and Analyzing Well-being

Robert Kennedy
Meghan Murphy
Fidelity Investments
October 12th, 2017



Compelling scientific evidence indicates that living long and living well is most realistic for those who are socially engaged, adopt healthy living behaviors and are able to build financial security.

What employers are telling us

My employees aren't taking advantage of all the benefits we offer them

We struggle to understand what is going on in our employees lives

Expanded definition of well-being is increasing employee engagement

Employee well-being is a key piece of our business strategy

Defining well-being



Financial well-being: It's more than just the money



lack an
emergency
fund³



break even
or spend more
than they earn³



have
credit card
debt⁴



not happy
unless they feel
financially
secure⁴



feel worried
or sick
about their
finances⁴



feel they have
too much debt⁴

The components of the Fidelity Financial Wellness Score



BUDGET



DEBT



SAVINGS



PROTECTION

OBJECTIVE	Essential Expenses	Debt Payments	Household Assets	Emergency Fund
		Credit Score	Annual Savings Rate	Types of Insurance
SUBJECTIVE		Types of Debt	Pension	
	Feelings About Budget	Feelings About Debt	Feelings About Savings	Feelings About Protection

The methodology for Fidelity Financial Wellness Score



BUDGET



DEBT



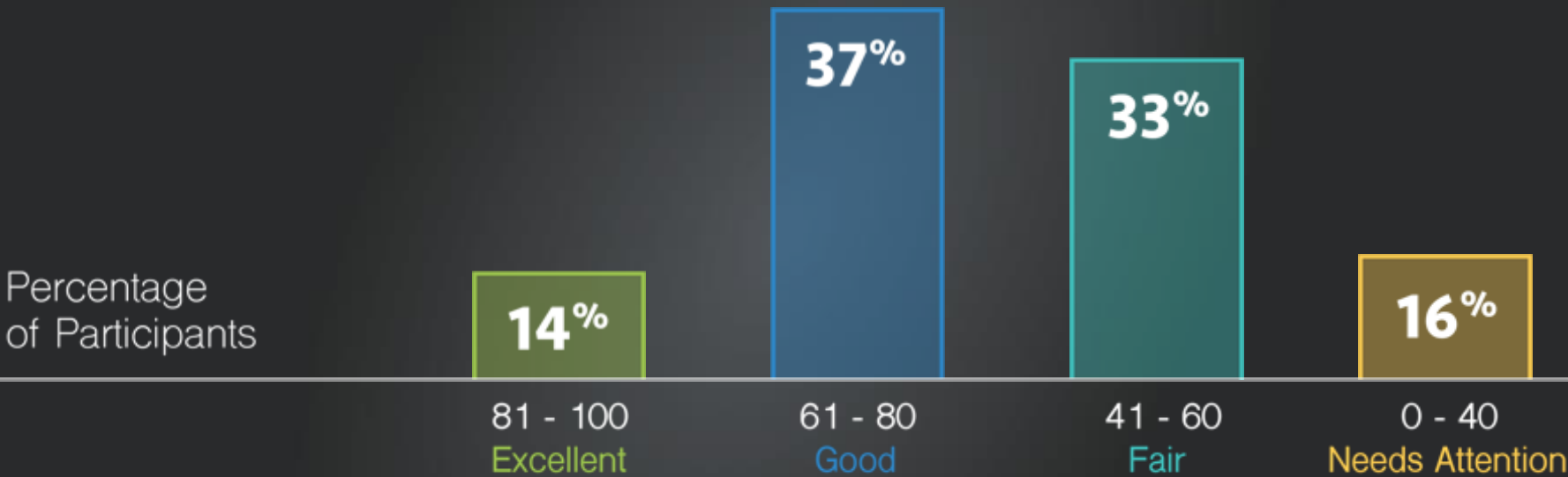
SAVINGS



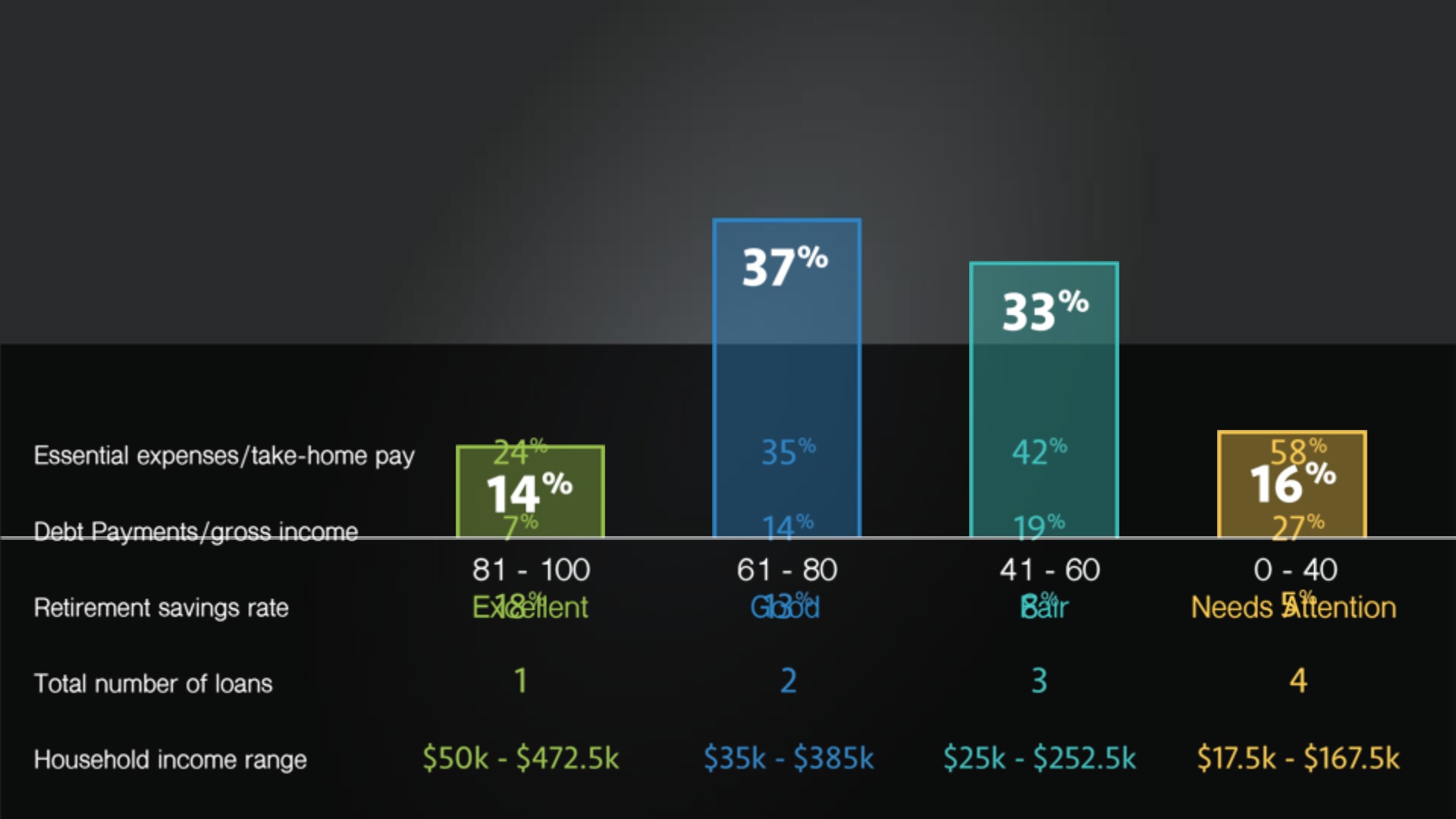
PROTECTION

OBJECTIVE	15%	+	20%	+	20%	+	15%	= 70%
SUBJECTIVE	10%	+	5%	+	5%	+	10%	= 30%
TOTAL	25%	+	25%	+	25%	+	25%	= 100%

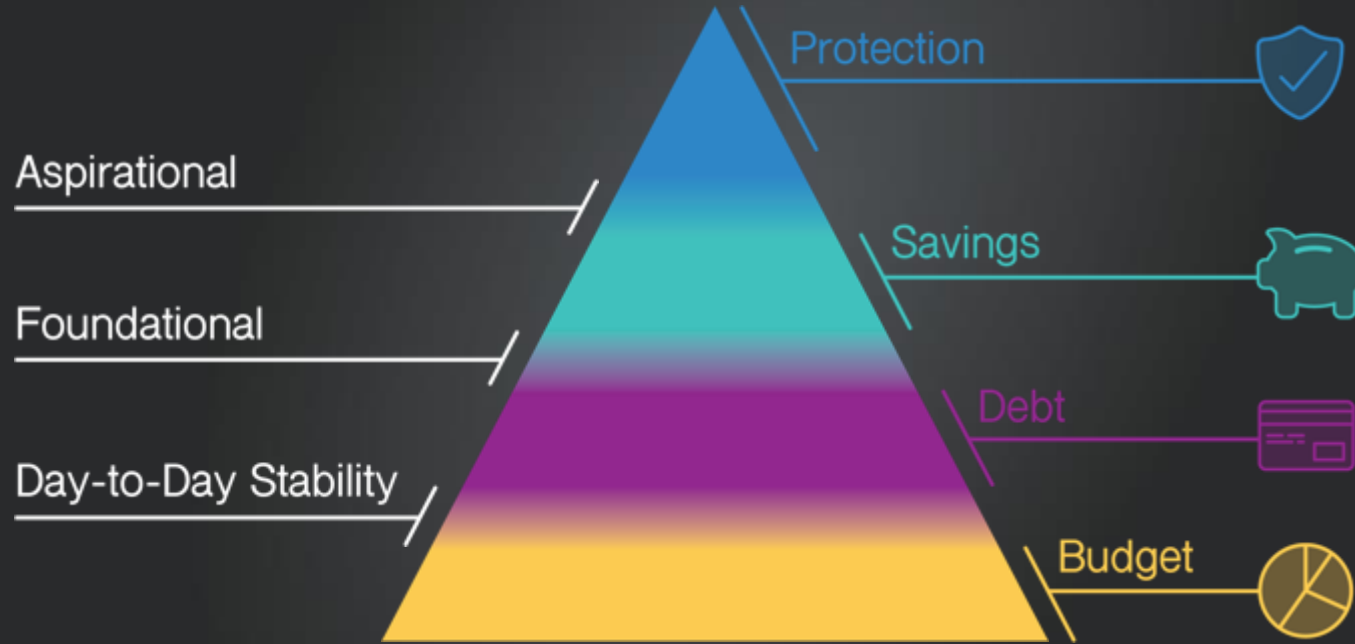
How financially well are participants?



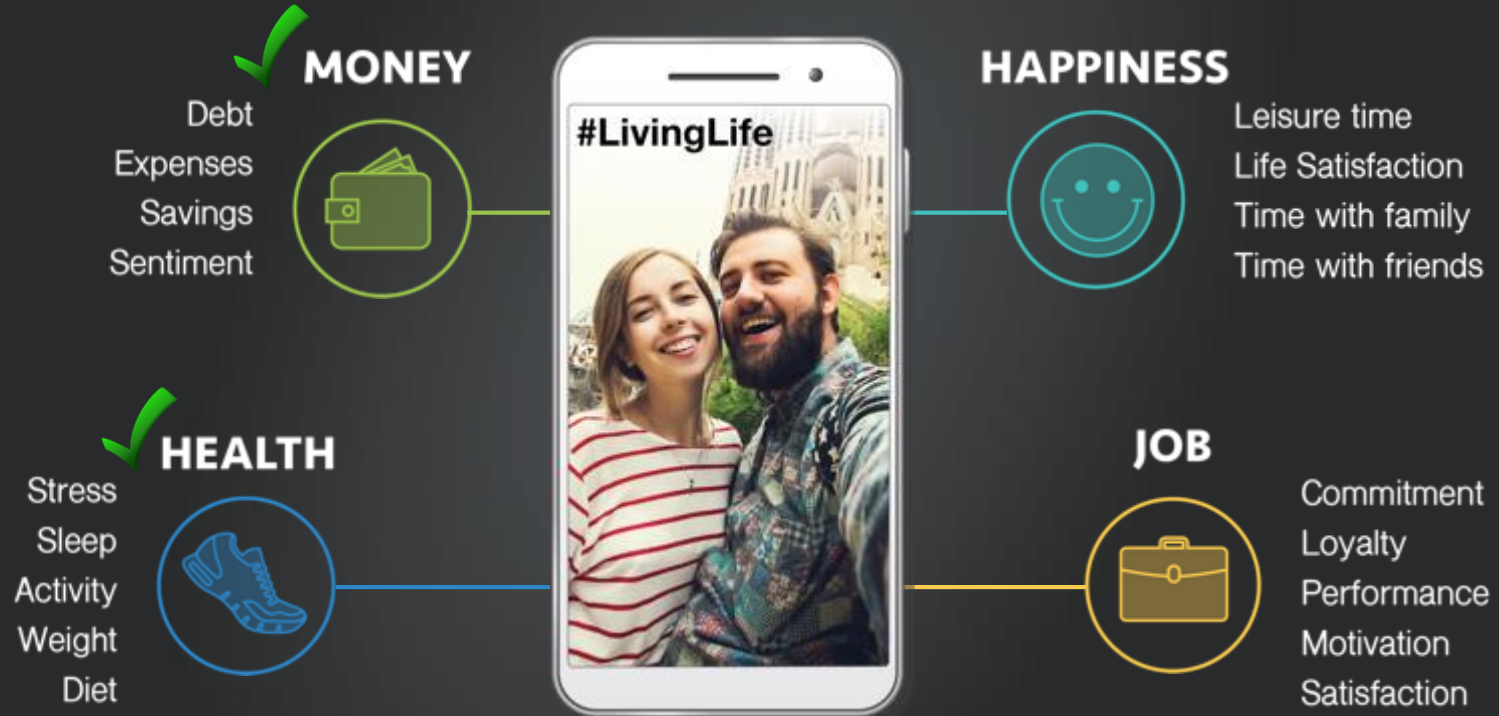
Financial Wellness Score⁵



The Financial Wellness Hierarchy*



Defining well-being



The most impactful events span all domains of well-being



Reorg at work



30%+
Gen X & Boomers
feel worse



70%
higher stress

35%
Women
gain weight

39%
Women
less active



64%
less happy

15%
happiness at
"all time low"

49%
less satisfied
with life

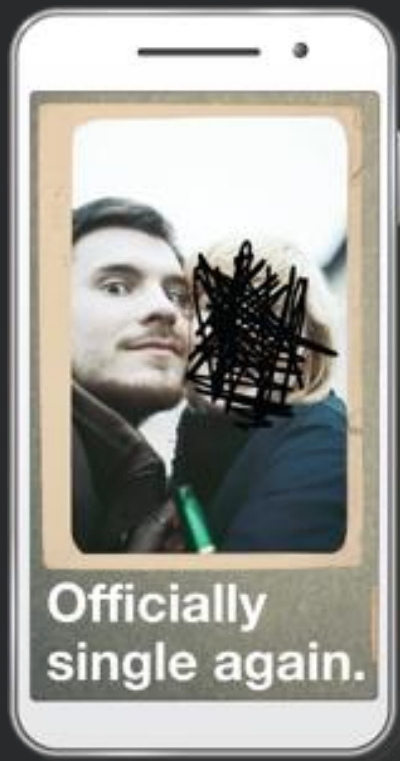


63%
Millennials
less committed

52%
Millennials
less motivated

63%+
Millennials & Women
less satisfied

Divorce/separation



57%+
Gen X & Women
higher debt

60%+
Gen X & Women
higher expenses

52%+
Gen X & Women
save less



64%
higher stress

52%
Gen X
sleep worse

40%+
active, lose
weight,
eat better



51%
happier overall
66% Millennials vs. **53%** Boomers

43%
Gen X
less happy



48%
more
committed

40%
more
motivated

Caregiving



45%
Women
higher expenses

37%
Women
save less

27%
Women
higher debt



78%
Women
higher stress

50%
Women
sleep worse

43%
Women
gain weight



49%
less happy


43%
life satisfaction
decreases

70%
less leisure
time



little to no impact

What leading employers are focused on



Expanded
definition of
well-being

Improving
navigation and
personalization

Maximizing
spend and
resource

Q&A

Important Information

¹ Fidelity Investments Life Decisions Research online survey of more than 9,000 defined contribution plan participants recordkept by Fidelity and who are employed full time (more than 30 hours per week). The research was completed in October 2016 by Greenwald & Associates, Inc., an independent third-party research firm. Fidelity also worked in collaboration with the Stanford Center on Longevity on the study.

² Analysis based on Fidelity Investments Life Decisions Research, a survey of 9K+ DC plan participants recordkept by Fidelity and who are employed full time. Survey conducted October 2016 by Greenwald & Associates, Inc., an independent third-party research firm and in collaboration with the Stanford Center on Longevity on the study. Participants were asked to identify the most impactful event in their life over the past 12 months, as well as the effects it has had on four domains of their life (money, health, happiness job). The impact of each event was rated through 19 separate questions, including measures of debt, physical activity, life satisfaction, and job performance. Each question offered 5 response options ranging from a strong negative impact (e.g., "my debt has skyrocketed") to a strong positive impact (e.g., "my debt has plummeted"). Individual responses were scored on a 5-point scale from -2 (strong negative impact) to +2 (strong positive impact). Responses to questions within each domain were summed to create domain-level impact scores (ranging from -10 to +10) and domain-level impact scores were summed to create a net impact score (ranging from -40 to +40).

³ Based on 296,700 responses from Fidelity Investments Financial Wellness Money Check-up from June-January 2016.

⁴ Fidelity Markers of Financial Wellness Survey of more than 6,000 active Defined Contribution plan participants recordkept by Fidelity, who have input into household financial decisions. Conducted by CMI Research, an independent third-party research firm. July 2016. Response rate was split among the generations as: 21% Millennials, 37% Generation X and 40% baby Boomers.

⁵ About Fidelity's Financial Wellness Score

These findings are the culmination of a yearlong research project with Strategic Advisers, Inc., a registered investment adviser and a Fidelity Investments company, which analyzed the overall financial wellness of 6,300 active retirement plan participants based on data collected through the Fidelity Financial Wellness Markers Survey, July 2016. Survey questions assessed objective and subjective indicators in four domains of personal finance (budget, debt, savings/investment, and protection) as well as general feelings and demographic characteristics. All four domains contribute 25% each to the overall score, for a total of 100%. Overall, the objective factors are assigned a total weight of 70% and overall subjective factors are weighted at 30%. The sum of all four domains yields a total score from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. Data collection was completed by CMI Research. Fidelity Investments was not identified as the survey sponsor. CMI Research is an independent research firm not affiliated with Fidelity Investments.

⁶ About Fidelity's Financial Wellness Model

The Financial Wellness predictive model was created using a combination of survey data and Fidelity recordkeeping data representing different aspects of participant's financial behavior and Defined Contribution (DC) plan activity. It uses data from 6,000 participants who responded to the 2016 Financial Wellness survey, including their DC plan activity and the financial wellness score developed by Strategic Advisers (link to SAI disclosure?). Behaviors within the DC plan are used to infer if a participant is well or unwell (based on SAI score) using a Random Forest model. Each component of wellness (Savings, Budget, Debt, Protection, and Overall) uses a separate model and has its own accuracy scores. Accuracy is calculated as the percent of correct classifications in the hold out sample, which is a random subset of the 6,000 survey respondents.

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