

Contributors

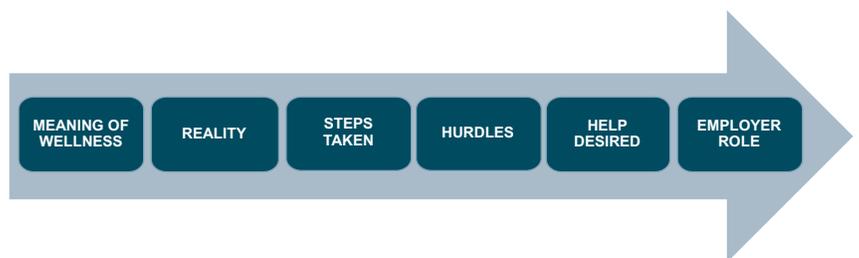
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LMI Workers' Views on Financial Wellness

INTRODUCTION

The DCIIA Retirement Research Center (RRC) conducted focus groups in late 2021 that explored low- and moderate-income (LMI) workers' views on financial wellness. Additional details are provided at the end of the report. Focus group topics of discussion included:

- **Meaning:** Defining what financial wellness means to them
- **Reality:** Gauging their current state of financial health, according to their own definition of financial wellness
- **Steps Taken:** Action they have taken to improve their financial wellness
- **Hurdles:** Understanding hurdles and constraints that impact their situation
- **Help:** What types of tools or help could assist them in achieving better wellness
- **Employer:** The role employers can play in helping workers achieve financial wellness



Financial wellness is defined as a person's emotional relationship with money. This includes their financial outlook, sense of security and control. It is moderately, not exclusively, correlated to income.

KEY FINDINGS

Meaning: Defining Wellness

Most participants equated financial wellness with having enough money to live day-to-day and having confidence and resources to meet their future financial needs. Two main themes emerged:

1. Being Financially Well means *Freedom From*:
 - Stress about their current financial reality
 - Anxiety about the future, including unexpected costs and financial constraints
 - Significant amounts of debt, particularly debts resulting from pandemic-related hardships
2. Being Financially Well means *Freedom To*:
 - Have choice and security, providing for options and flexibility
 - Save for emergencies, with the ability to manage challenges ahead
 - Save for retirement and focus more on the future
 - Afford leisure activities, especially travel

"Financial wellness would be the freedom to put all my bills on auto-pay."

Reality: Current Situation Versus Ideal

Most participants indicated their vision of financial wellness is not in line with where they are currently. Most live paycheck to paycheck and feel severe stress. The pandemic unsettled workers and took a large toll in two ways:

1. Financial Cost:
 - Lack of financial stability and feeling "stuck" without knowing what is next
 - More debt incurred and loss of discretionary income
 - Little to no emergency savings or depleted savings

2. Emotional Cost:

- Anxiety about the lack of financial flexibility with little emergency savings
- Fear about the future, especially the possibility of layoffs or pay cuts

Notably, relatively older individuals, particularly with children, reported dramatically more stress than participants in their 20s.

"I only fall asleep at night because my body gives out on me."

Steps: Actions Taken to Influence Wellness

Most participants agreed that adjusting their financial behavior can influence their future financial wellness. However, few have taken action. Some noted anxiety about the unexpected and their lack of control of the future. Additionally:

- Some people viewed investing as an important tool for achieving financial wellness. Those who prioritize investments noted they are self-taught investors. This group shared a "gambling" attitude, where they were looking for the right investment to rescue them from their financial challenges (akin to the lottery). There seemed to be a disassociation from the risks of investing.
- Many workers noted they seek financial advice from family, friends and online forums, such as Facebook groups and Reddit. Very few sought outside professional advice.

Interestingly, women seemed more likely to seek systematic or methodical steps to improve their situations. By contrast, men generally sought large changes, such as a high-yield investment or receiving a miraculous windfall.

"Planning is a better way for me to stay disciplined. If I budget my money and put a certain amount aside and not touch it. But sometimes things come up, and then I'm lost again."

Hurdles: Barriers to Financial Wellness

Most participants indicated they want to improve their financial situation, but they need to clear several hurdles first. As they named obstacles, four themes emerged:

1. Lack of financial means: Most participants said they lack adequate income and resources to prepare for unexpected costs or emergencies. They also worry about inflation and the rising costs of everyday goods.
2. Lack of knowledge: The majority of participants said they do not know where to begin. Most do not have a budget.
3. Difficulty with self-control: Respondents said they struggle with delaying gratification, tracking their spending, and understanding the impact of many small purchases. Furthermore, leisure and lifestyle (status related to “keeping up”) were reported as barriers.
4. Overwhelmed by stress and anxiety: Nearly all participants reported feeling overwhelmed, with a decreased capacity to plan. Several participants reported working multiple jobs and having high family demands. Many said they experience significant psychological stress.

“Things that are barriers to me are trying to keep up with the latest fashion or brands and technology, like getting a new iPhone.”

Help: How to “Get My Money Right”

Most workers were interested in receiving help with their financial wellness, although they have time and capacity constraints. Many feel overwhelmed, grappling with work/life balance, and do not understand how and where to start. For those wanting to learn how to make changes, they prioritized the following financial wellness topic areas:

- Budgeting, both initial and ongoing check-ins
- Emergency savings planning
- General financial help to understand things like retirement savings and investments

As mentioned earlier, women were generally more pragmatic and focused on planning, and men sought short-term solutions and investment opportunities.

“Little things can get in the way. I need to set aside enough that if something happens it won't devastate me.”

Employer: Support That Can Assist Workers

Workers were open to utilizing employer-provided financial wellness assistance, administered by a third party (for employee privacy). Some people were hesitant, however, citing lack of trust and a need for employers to be transparent and genuine.

Most people interested in financial wellness guidance suggested employers offer sessions during a variety of times and days to accommodate diverse schedules. Specific requests included:

- Educational classes on a variety of topics
- Workshops to help implement a budget or plan with ongoing help
- Financial advisors (independent) to help holistically review and assist workers

“My employer is preaching about mental wellness, yet my financial situation is hurting my mental health.”

IMPLICATIONS

The focus groups provided great insights into the challenges and mindsets of low- and moderate-income workers. Five key takeaways:

1. Meaning: Many LMI workers are struggling, so employers need to help them improve their present financial situation before they can look towards the future.
2. Reality: Employers must meet people where they are now and not assume all workers are the same. Engagement is critical, and practitioners should ensure their messages align with reality.
3. Hurdles: To address financial issues facing LMI workers most effectively, employers should help them get from point A to point B by outlining specific actions they can practically take. Avoid lofty concepts or generalizations.
4. Help: To effectively help LMI workers, employers should offer programs with a measurable and tangible impact. For example, curricula related to budgeting or emergency savings can tangibly and quickly help them gain financial control and potentially confidence.
5. Employer: Employers have a unique opportunity to help employees—particularly LMI workers who have diverse needs and can greatly benefit from assistance. To make a financial wellness program attractive to workers and gain their trust, employers must communicate clear objectives and authentic intentions.

METHODOLOGY

The DCIIA RRC conducted four focus groups with about six individuals in each group. The 60-minute focus groups were conducted by Warren Cormier, Executive Director of the DCIIA RRC, in October 2021 on Zoom. Interviewees were promised anonymity and are not identified in this report.

Respondents were screened and selected to include a diverse group of workers using the following criteria:

- Gender (Almost half were women)
- Age range: 25-45 years old
- Household income ranging from \$25,000 to \$75,000 annually
- Individuals working at government agencies were omitted
- Diversity across race, geographic locations and occupations

Participants also were selected based on their answers to general financial wellness statements provided by the DCIIA RRC. Qualifying participants had to respond appropriately to three of the five following statements:

How well do these statements describe your situation?
(Response options: completely, very well, somewhat, very little, does not. Looking for workers responding “completely” or “very well.”)

1. Because of my money situation, I feel like I will never have the things I want in life.
2. I am just getting by financially.
3. I am concerned that the money I have or will save won't last.
4. My finances control my life.

How often does this statement apply to you?
(Response options: always, often, sometimes, rarely, never. Looking for workers responding “rarely” or “never.”)

5. I have money left over at the end of the month.

Technical Note: Qualitative research is helpful in developing hypotheses surrounding a topic. However, because of the small sample size, the results described should be viewed as directional and in need of quantitative confirmation. This report is preparatory for a more in-depth study.

ABOUT THE DCIIA RRC

DCIIA's Retirement Research Center conducts rigorous, industry-informed research that is grounded in a practical approach focused on actionable insights. We adhere to a disciplined research methodology, governance and validation process. Our goal is to serve the industry as a reliable, unbiased, and authoritative research resource supporting improved retirement security—be it through plan design, institutional practices, investment solutions, or behavioral interventions. To learn more, visit: www.dciia.org/page/RRCHome.

ABOUT DCIIA

Founded in 2010, the Defined Contribution Institutional Investment Association (DCIIA) is a non-profit association dedicated to enhancing the retirement security of America's workers. To do this, DCIIA fosters a dialogue among the leaders of the defined contribution community who are passionate about improving defined contribution outcomes. DCIIA's diverse group of members include investment managers, consultants and advisors, law firms, record keepers, insurance companies, plan sponsors and other thought leaders who are collectively committed to the best interests of plan participants. For more information, visit: www.dciia.org.

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