Retirement Survey Report Key Findings and Issues:

Financial Wellness

2017 Risks and Process of Retirement Survey Report

ACKNOWLEDGMENTS

THIS REPORT WAS PREPARED WITH INPUT AND ASSISTANCE FROM THE PROJECT OVERSIGHT GROUP:

Anna Rappaport, Chair
Vickie Bajtelsmit
Carol Bogosian
Barbara Butrica
Craig Copeland
Paula Hogan
Barbara Hogg
Cindy Levering
Frank O'Connor
Andrea Sellars
Cecilia Shiner
Steven Siegel
Linda Stone
Thomas Toale
Jack VanDerhei
Paul Yakoboski

The findings portions of the report were written by Greenwald & Associates. The portions of the report that extend beyond the survey were written by Anna Rappaport with input from the oversight group. The oversight group is composed of a multidisciplinary team of retirement experts. Barbara Scott provided administrative support in preparation of the report.

The views and opinions expressed in this report are those of the authors and do not necessarily reflect those of the Project Oversight Group nor the SOA as a whole.

TO OBTAIN A COPY OF THE COMPLETE SURVEY REPORT

The 2017 Risks and Process of Retirement Survey report may be obtained from the website of the Society of Actuaries at ***www.soa.org.***

Financial Wellness

Executive Summary

In recent years, the concepts of financial literacy and financial wellness have received increased focus from a wide assortment of audiences. These include policymakers, academics, employee benefit plan sponsors, the financial services industry and the business community generally.

For more than 20 years, the Society of Actuaries (SOA) Committee on Post-Retirement Needs and Risks has examined issues related to risks encountered in retirement. The committee has addressed this topic through two major research projects. This report brings together the findings from those projects.

Financial wellness was a topic of emphasis in SOA's *2017 Risks and Process of Retirement Survey* (the 2017 survey) and was also the theme for SOA's *2017 Financial Wellness Essay Collection* (the 2017 essay collection). These studies build on earlier work in SOA's *2015 Risks and Process of Retirement Survey* (the 2015 survey), which included spending patterns and debt as well as financial shocks as special topics. They also build on other SOA research with retirees age 85 and over (in 2017), plus earlier focus groups with individuals retired 10 years or less (in 2013) and with individuals retired 15 years or more (in 2015).

- **The 2017 survey** sampled views of individual pre-retirees and retirees between ages 45 and 80. The findings provide perspective on what respondents say about many different issues related to financial wellness.
- **The 2017 essay collection** focused on employers as sponsors of financial wellness programs and on individual solutions. The 14 essays in this collection examined solutions to some of today's pressing financial challenges. The employer essays included topics such as the next generation of 401(k) plans, measuring return on investment in these programs, and making workplace programs successful. The individual solutions essays included topics on a framework for thinking about the post-retirement period, applying actuarial principles to individual planning, and the concept of a personal risk manager.
- **The other research** (in-depth interviews and focus groups) offered insight about how retirees think about things and how they manage, and how that changes over the course of retirement.

Key Findings from the SOA Financial Wellness Research

This growing body of research on financial wellness has produced numerous significant findings. These include the following:

- Recognition is growing that traditional retirement planning needs to consider a person's total financial picture, and that a broader focus on financial wellness enhances the chances of success.
- The majority of pre-retirees and retirees currently feel financially secure, with retirees a little more likely to feel this way. The personal sense of financial security is often tied to short-term rather than long-term issues, so these financially secure feelings can be somewhat misleading.
- For middle-income Americans, Social Security is the major source of regular retirement income. Many of the retirees do not have significant financial assets, and, for many, housing equity is substantially greater than financial assets. These Americans retire and often seem to be satisfied in retirement, even though they do not have a great deal of money.
- Most survey respondents rate themselves well on day-to-day financial management tasks. Fewer respondents give themselves positive ratings for saving and investing for the long term, however, and very few rate themselves well on long-term decisions such as planning for long-term care.
- Pre-retirees are often behind in financial planning activities. Many individuals fail to take important planning steps.
- Most retirees do reasonably well when it comes to short-term cash flow management, and they make adjustments to fit spending to income. But major unplanned events can change this, and there is little planning for addressing shocks.
- There is a common failure to plan for long-term care. This is a source of trouble for many households if a major long-term care need arises. The lack of long-term care planning extends to all ages, including age 85 and over.
- Retirees are often frugal, and they become more frugal later in retirement.
- Debt is a major problem for some working-age families. In some situations, debt management can overwhelm individuals and affect their performance at work. For a little more than one-third of retirees (35%) and retired widows (37%) and half of pre-retirees (51%), debt negatively affects lifestyle and ability to save.
- The most used risk management strategies are to eliminate consumer debt, save as much as possible and cut back on spending. Many households do not plan for shocks, but rather deal with them when they happen.
- Advisors are a potential source of help, but only about one-third of respondents use advisors.
- Employers play a key role in financial wellness and recognize that employee financial stress is a barrier to current job performance and good retirement planning.

Introduction and Background

For more than two decades, the SOA has studied post-retirement risks, especially identifying risks and how they are managed. The 2017 survey, conducted on the SOA's behalf by Greenwald and Associates, is the SOA's ninth biennial study on this topic.

The survey was preceded and informed by in-depth interviews with elderly Americans (over age 85), children of elderly parents, and parents and children together. The findings from the survey relating to financial wellness are highlighted in this report. They are brought to life and made more personal by quotations from the series of in-depth interviews in a separate section of the report.

In addition to this report, related reports are available from the SOA that highlight specific 2017 survey results concerning risks encountered in retirement for caregiving and long-term care needs, as well as housing.

The Research Parameters

The 2017 survey was designed to evaluate Americans' awareness of retirement risk and how these perceptions affect the management of their finances. It included online interviews, conducted in July 2017, of 2,258 adults ages 45 to 80 (split into two groups—1,025 retirees and 1,030 pre-retirees), and an oversample of 421 retired widows.

The researchers used Research Now's nationwide online consumer panel to select these participants. The team classified respondents as retirees if they described their employment status as retiree, had retired from a previous career or were not currently employed and were either age 65 or older or had a retired spouse. For all other respondents, the classification was pre-retiree.

The special topics covered in the 2017 study were financial wellness, caregiving and long-term care, and housing.

The results of the surveys reflect the overall income distributions of Americans ages 45 to 80. This was done through a combination of fielding targets and weighting. Unlike many other studies on this topic, this survey did not focus on high-net-worth individuals.

IMPACT OF THE COMBINED RESEARCH

- **Building blocks.** As noted earlier, the financial wellness area in the 2017 survey built on earlier work in the 2015 survey when the special topics included spending patterns and debt and financial shocks. It also built on earlier focus groups in 2013 with individuals retired 10 years or less and in 2015 with individuals retired 15 years or more.
- **The cumulative value.** The surveys took different but complementary approaches. The 2017 and 2015 surveys zeroed in on providing an understanding of the situation of respondents at the time of the survey and a look at their concerns, plans and expectations for the future. By comparison, the 2013 and 2015 focus groups and the age 85+ research in 2017 offered insights into experiences and what has already happened. The combined results help to illuminate how close retirement expectations come to retirement experiences. The insights can be of vital importance to all who work in the retirement field.

Some questions in the 2017 survey were similar to questions in SOA surveys conducted in prior years, thus helping to illuminate how perspectives on post-retirement risk have changed over time. However, caution should be exercised when comparing specific numerical results of the 2017 study with results from questions in the 2011 or earlier iterations of the survey. Starting in 2013, the researchers conducted this study online, while in all previous studies in the series, they conducted the studies by telephone.

Rationale for Financial Wellness Research

In recent years, financial literacy and financial wellness concepts have received increased attention from policymakers, academics, employee benefit plan sponsors, the financial services industry and the business community generally. The U.S. Consumer Financial Protection Bureau (CFPB) has defined financial well-being as "a state of being wherein you:

- Have control over day-to-day, month-to-month finances;
- Have the capacity to absorb a financial shock;
- Are on track to meet your financial goals; and
- Have the financial freedom to make the choices that allow you to enjoy life."

A growing number of employers have recognized that financial well-being is a foremost concern for many employees, and that financial stress affects employees' performance and, in turn, organizational performance. To address this need, many employers have developed and introduced financial wellness programs as part of their employee benefit offerings.

In a related development, many employers now recognize that financial burdens in working years may impede or delay adequate retirement savings. As a result, some employers have combined their approaches to retirement savings with their financial wellness programs.

Further demonstrating the potential for financial wellness programs, SOA-sponsored research has found that many workers do not plan well for retirement. Planning often tends to be short-term and cash-flow focused rather than a comprehensive approach with long-term risk considerations.

A concerning trend is that SOA researchers have identified significant gaps in the process of financial decision making. They have observed that much is done in this area without thorough analysis.

In response to these issues, the SOA sponsored a call for essays on financial wellness in 2016 and designated financial wellness as a major topic to be studied in SOA's 2017 post-retirement risk survey.

Report Organization

This report on financial wellness provides the responses to selected questions from the 2017 survey. The questions are grouped by related areas of inquiry.

ABOUT THE ESSAY COLLECTION

The SOA's 2017 essay collection combines a focus on employer-sponsored programs and individual actions. It provides important information for employers, who have become major sponsors of financial wellness programs.

By comparison, the SOA's post-retirement risk research focuses on individuals and households. It reveals many insights into what employees do, giving employers relevant information to use as they structure their wellness programs.

Actuaries and others can apply this research when working on ways to reach the public through employee benefit programs. Other uses include helping actuaries provide input into financial service company offerings, support for planners and work that focuses on individuals.

For each group, a brief explanation accompanies the results. Some members of the SOA's Project Oversight Group have supplemented the findings with commentary and perspectives. Other supplements include additional information from the 2017 essay collection as well as material from prior SOA retirement risk research and other related research.

The first broad topical area has to do with how pre-retirees and retirees think about, and estimate, their own financial wellness. Next come five expanded discussions on financial wellness (gleaned from the 2017 essay collection), debt, financial shocks, financial preparations and protections for retirement, and the impact of advisors.

Following is an overall summary of key findings in these areas, with more detail available in the full 2017 survey. Included are some links to prior SOA research on the key topics. This report concludes with some relevant essays by SOA research experts.

Financial Wellness Overview

The 2017 survey probed financial wellness among both pre-retirees and retirees. The researchers asked respondents about their current financial security, ability to absorb shocks in retirement, and ownership and use of plans and policies that offer protection. For many of these issues, the questions elicited significant differences by income level but no major differences by gender.

The following provide high-level context for the survey results described later in this report:

Financial Security and Managing Household Finances

The majority of pre-retirees and retirees indicated that they currently feel financially secure, with retirees a little more likely to feel this way. But it appears that these feelings are primarily based on short-term issues.

When asked about the ability to handle a variety of household financial planning topics, for instance, the respondents revealed a huge variation in assessment as measured by different tasks. Although most respondents rated themselves well on day-to-day financial management tasks, for example, fewer respondents gave themselves positive ratings for saving and investing for the long term, and very few rated themselves well on long-term decisions such as planning for long-term care.

The study found a notable gap in confidence between one's current financial situation and the ability to make long-term preparations. A variety of other SOA research has demonstrated a similar gap between consideration of the short term and long term in retirement planning.

In general, higher income retirees voiced more confidence about their ability to manage their finances than those with lower incomes. The differences were larger for long-term management issues. There were no major differences by gender, however, when the subject was confidence in the ability to manage finances.[1]

Dealing with Debt

Debt is a major problem for some working-age families, and, in some situations, debt management can overwhelm individuals and affect their performance at work.

The SOA researchers found that employers are responding to the issue by offering financial wellness programs for their employees. While the employer has no financial responsibility for an employee's personal debt, employers have noticed that indebtedness can lead to employee stress, and that affects business performance. This awareness has fueled willingness to offer financial wellness programs. The appeal is that the programs often provide assistance that helps individuals develop strategies to deal with debt.

In the 2017 survey, debt and spending proved to be problematic for some respondents but especially for pre-retirees. Compared to those already retired, pre-retirees carry

WHERE TO FIND RELATED SOA RESEARCH ON SPENDING

Spending behavior is an important part of financial wellness and is considered in the overall findings of SOA's work. The 2017 research on financial wellness builds on the 2015 report titled Key Findings and Issues: Spending Patterns and Debt.

The 2015 report includes information from retirees and pre-retirees on spending plus additional essays on various aspects of spending.

In addition, a forthcoming SOA report on survey research with retirees age 85 and over will provide substantial information on changes in spending and other experiences of retirees.

The SOA 2017 research regarding the experience of retirees at ages 85 and over confirms that retirees are very frugal and seem to become increasingly so over time. Patterns of household spending change with increasing age.

1 For information on the differences by income and gender, consult the SOA report *2017 Risks and Process of Retirement Survey, Report of Findings*. Detailed responses to each question are provided including differences by income and gender.

more types of debt (including mortgage debt) and in higher amounts. For a little more than one-third of retirees (35%) and retired widows (37%) and half of pre-retirees (51%), debt negatively affects lifestyle and ability to save.

Those in debt indicated they are more likely to face additional financial problems. They are less likely to feel their current financial situation is secure and less prepared to handle financial shocks as well.

Worth noting: The 2015 survey produced generally similar results concerning the extent, and impact, of debt.

Unprepared for Financial Shocks

Life is a combination of the expected and the unexpected. The 2017 survey found that planning among older people more often focuses on near-term expectations, and that this drives feelings of security as well.

Despite those feelings of security, many respondents indicated they were not prepared for the potentially costly financial shocks that can occur in retirement, such as experiencing a drop in home value or drawing on assets to help a family member in need of support.

Both retirees and pre-retirees reported that they feel well prepared for some big expenses, such as car repairs, but they said they feel much less prepared for others.

Prior SOA research has indicated that the major method of dealing with shocks is to deal with them as they happen. Retirees also said they try to retain assets as long as possible.

The 2015 survey found that many retirees were able to adapt and adjust to some shocks. However, it found they did not adapt or adjust very well when experiencing multiple shocks or major shocks (such as an extended period of paid long-term care, family members needing help over a longer period, or divorce after retirement).

Financial Preparations and Protections for Retirement

Financial planning for retirement is a complex, multidimensional task. This report looked at actions taken and thought given to planning for retirement.

As mentioned above, the most used risk management strategies entail eliminating consumer debt, saving as much as possible and cutting back on spending. The 2017 survey found that people are not giving enough thought to financial aspects of retirement. In particular, pre-retirees, who are further from retirement than retirees, have not given a great deal of thought to topics such as investment management and lifestyle considerations.

Many people are also falling behind in their personal financial preparations for retirement. Though it is not surprising that retirees are more likely to have completed these tasks, significant proportions of surveyed retirees indicated that they have not done so. It is unclear whether more pre-retirees will undertake these tasks as they get closer to and reach retirement ages.

The 2017 survey also found that many more pre-retirees expect to use strategies like claiming Social Security later in life than those who actually use these strategies.

None of this was surprising to SOA researchers, given that much of the planning that people said they engaged in was short-term and cash-flow focused.

It may be that financial wellness programs, with their focus on financial preparation and protection strategies, will help program participants take a longer-term view. If so, such individuals may be able to adjust more easily to financial shocks and pressures as well as to live more comfortably all along the way.

The Role and Impact of Advisors

Most people have gaps in financial planning and knowledge. Advisors are one source of help. About one-third of respondents in the 2017 survey said they do consult with a financial advisor. The types of help they get from their advisors vary quite a bit.

The survey found that the two most common areas for obtaining help are investment transactions and saving and investing for retirement. However, many middle-income people indicated that they do not have significant assets, so, for them, these two areas are not where help has the most impact.

What areas do, or could, have impact in the middle-income market? Research makes clear that many people in this market, especially pre-retirees, need help with long-term planning, since many have no source of professional advice except that provided through their employers' programs. Financial wellness programs offer a platform for delivering this help.

Lower levels of financial literacy are often an impediment to advisory help having maximum effectiveness. However, plan sponsors can use a variety of ways to support employees who need help. The SOA report Investment and Retirement Advice: A Guide for Employers offers a range of actions that plan sponsors can take to support longer-term planning.

The 2017 survey findings suggest that the need for such help is critical because the majority of pre-retirees and retirees are not currently working with a financial advisor. This is despite their demonstrated need for help.

Expanded Discussion of Key Financial Wellness Findings

The above discussion completes our overview of key financial wellness findings from the 2017 Risk Survey. Now we look into some of the most telling data points in each of the five spotlighted wellness areas—financial security, management and wellness; debt; shocks; financial preparation and protection; and need for advisors.

The survey findings in the 2017 risk survey provide a valuable window into how pre-retirees and retirees feel as they approach and then live in retirement. The findings highlight how financial wellness enhances the chances of success in retirement. This helps open the door to positive outcomes for not only individuals but also for employers and society at large.

Much of the focus in these commentaries has to do with older people's views on financial security, their sense of confidence in their ability to manage household finances, and their engagement with financial planning. For that reason, much of the data and observations in the following section spring from the essay research as well as from the 2017 survey.

ON WELLNESS AND SUCCESS

"Financial wellness enhances the chances of success in retirement and helps open the door to positive outcomes for individuals, employers and society at large."

—SOA research team

Financial Security, Management and Wellness

Most pre-retirees and retirees indicated they feel secure about their current financial situation, with retirees feeling a little more secure. Women, younger pre-retirees and retirees, and, not surprisingly, lower-wealth respondents were more likely to feel financially insecure.

But the researchers also found evidence that consulting with an advisor and having a financial plan boosts financial security, even among lower asset respondents. However, the feelings of financial security did not necessarily translate to pre-retiree's and retirees' future outlook.

Generally, pre-retirees and retirees voiced confidence in their ability to perform day-to-day household financial tasks such as paying bills and managing daily spending. But fewer gave themselves high ratings for managing more complex tasks such as drawing income from savings and investments, saving for emergencies, long-term saving and planning for long-term care. Pre-retirees are markedly less self-assured in handling these financial responsibilities than retirees.

The research provides results by income level. For pre-retirees, the income ranges were less than $50,000, $50,000 to $99,999, and $100,000 and up. For retirees, the categories were less than $35,000, $35,000 to $74,999, and $75,000 and up.

SURVEY FINDINGS

Seventy-six percent of pre-retirees in the highest income group and 93% of retirees in the highest income group said they feel somewhat or very secure. For the lowest income group, 65% of pre-retirees and 51% of retirees said they feel not too or not at all secure. These are major differences.

The data also show that males expressed somewhat more secure feelings than females, but that the differences by gender were small. Older respondents seemed more secure than younger respondents. The differences by age and gender are generally consistent with other SOA research.

Finally, those without debt voiced more secure feelings than did those with debt.

DISCUSSION

Question 1 looked at a variety of household planning tasks. The results tell a very important story, which has also surfaced in other SOA post-retirement risk research.

The story is this: The level of confidence varies greatly by task. The respondents were quite confident in their ability to pay bills and manage day-to-day spending, but very few of them expressed confidence in their ability to plan for long-term care.

They were generally more confident about short-term money management than about longer-term retirement planning. However, they were less confident about living within a budget than about paying bills and managing day-to-day spending.

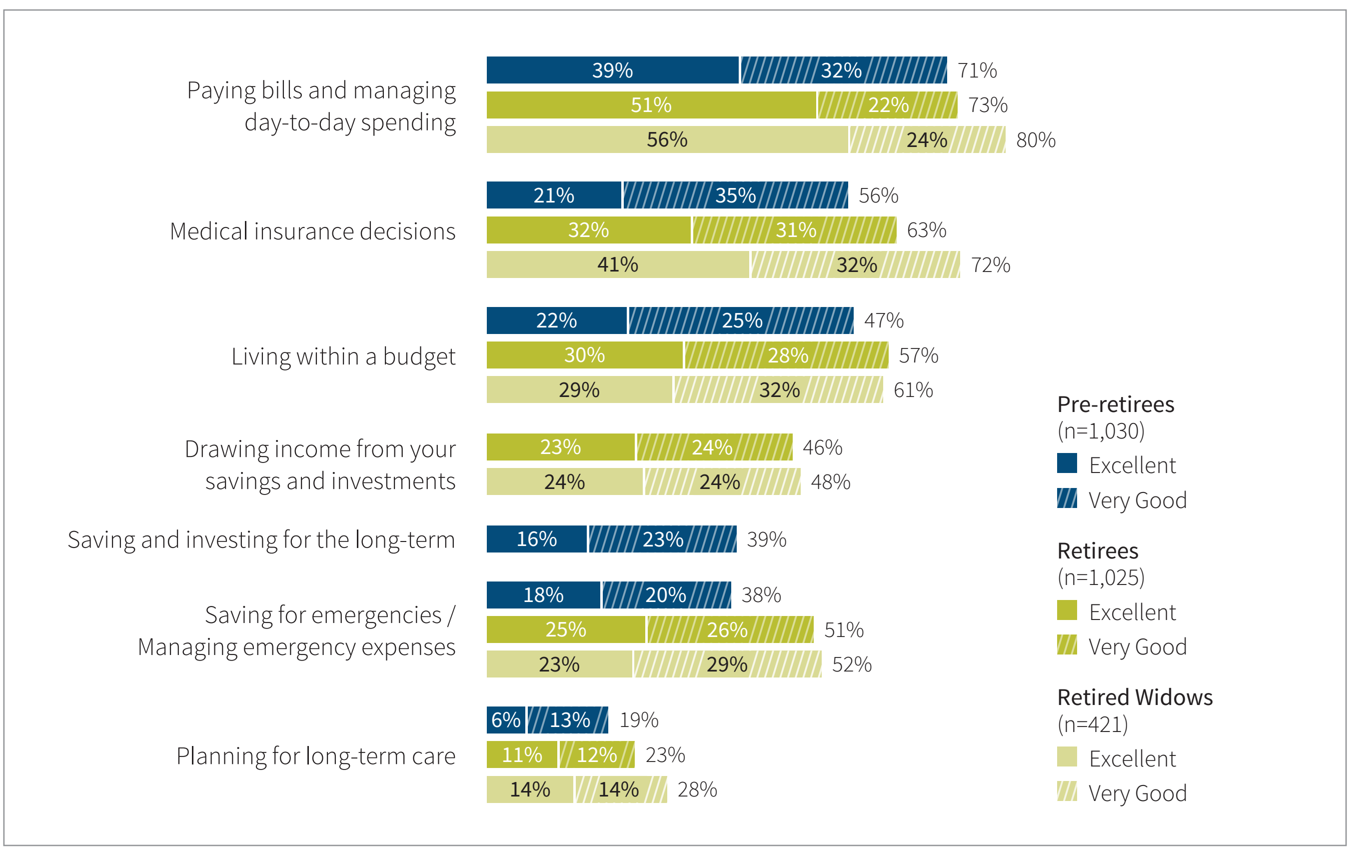
The results of SOA focus groups and in-depth interviews with people at various stages of retirement indicate that planning often tends to be shorter-term cash flow management rather than long-term planning focused on risk protection. Many

people have indicated that they will deal with the unexpected when it happens. For these reasons, there is a great need to help people respond better to the longer-term and include risk protection in their thinking.

Question 2 focused on current feelings that people have about their own financial security. These results suggest that people generally have a fairly high level of security. The sense of security seems to be driven much more by the short-term situation than a focus on the long term. This explains why people often seem to feel relatively secure even when they have not addressed their risks and future.

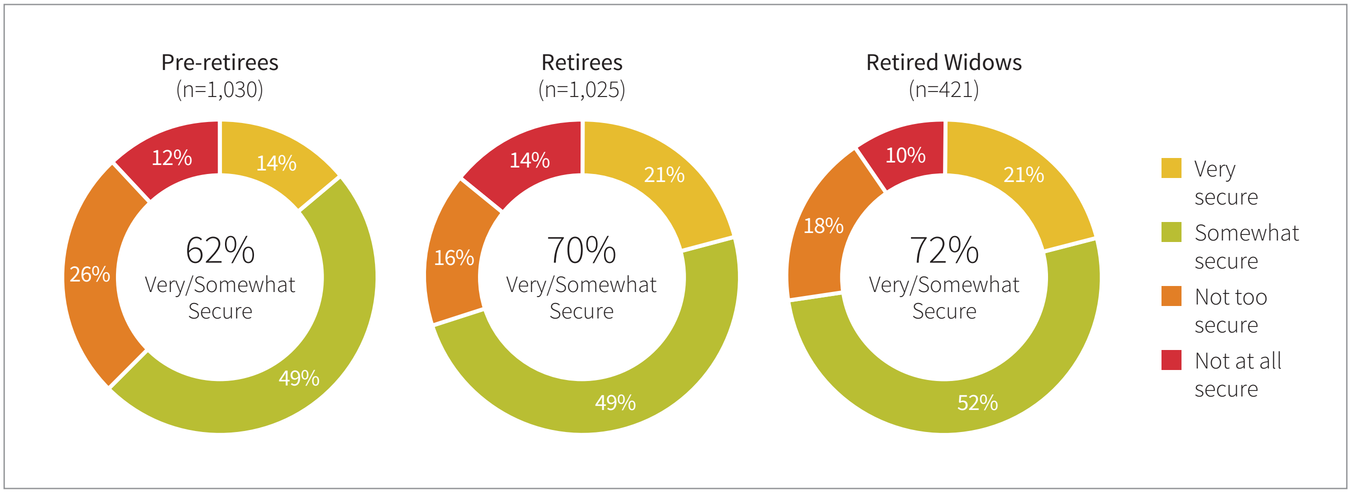
ASSESSMENT OF CURRENT FINANCIAL MANAGEMENT

Question 1: How would you rate your household's management of the following financial tasks?



FINANCIAL SECURITY

Question 2: How financially secure do you feel currently?



How Debt Impacts Retirement

The survey found that pre-retirees carry more types of debt—including mortgage debt—and in greater amounts than retirees.

Over half of pre-retirees (55%) said they have mortgage debt, and seven in 10 (71%) said they have nonmortgage debt. Excluding mortgage debt, credit card debt was the most common form of debt. Comparatively, only one in five pre-retirees (20%) and two in five retirees (38%) are completely debt free.

Given that they have more debt overall, it is not surprising that more pre-retirees said their debt has negatively impacted their ability to save and invest (51% pre-retirees versus 35% retirees), with three in 10 pre-retirees (28%) saying the debt has impacted them a great deal.

The negative impact of debt on retirees and pre-retirees is similar to the findings from the SOA's 2015 survey. In addition to negatively impacting their lifestyles, those in debt were more likely to report feeling financially insecure and ill-prepared to absorb financial shocks.

SURVEY FINDINGS

The researchers found major differences in types of debt by income level.

Higher income individuals were much more likely to own their primary home and have a mortgage. For example, 65% of pre-retirees with an annual income of more than $100,000 indicated they are in this group, whereas just 36% of those with incomes of less than $50,000 said the same. For retirees, the percentages were 39% in the high-income group compared to 19% in the low-income group.

In contrast, those in the low-income groups were more likely to have credit card debt and debt owed to a health care provider. There were no major differences in debt by gender, however. According to the survey, debt is much more likely to have a major impact at lower incomes.

DISCUSSION

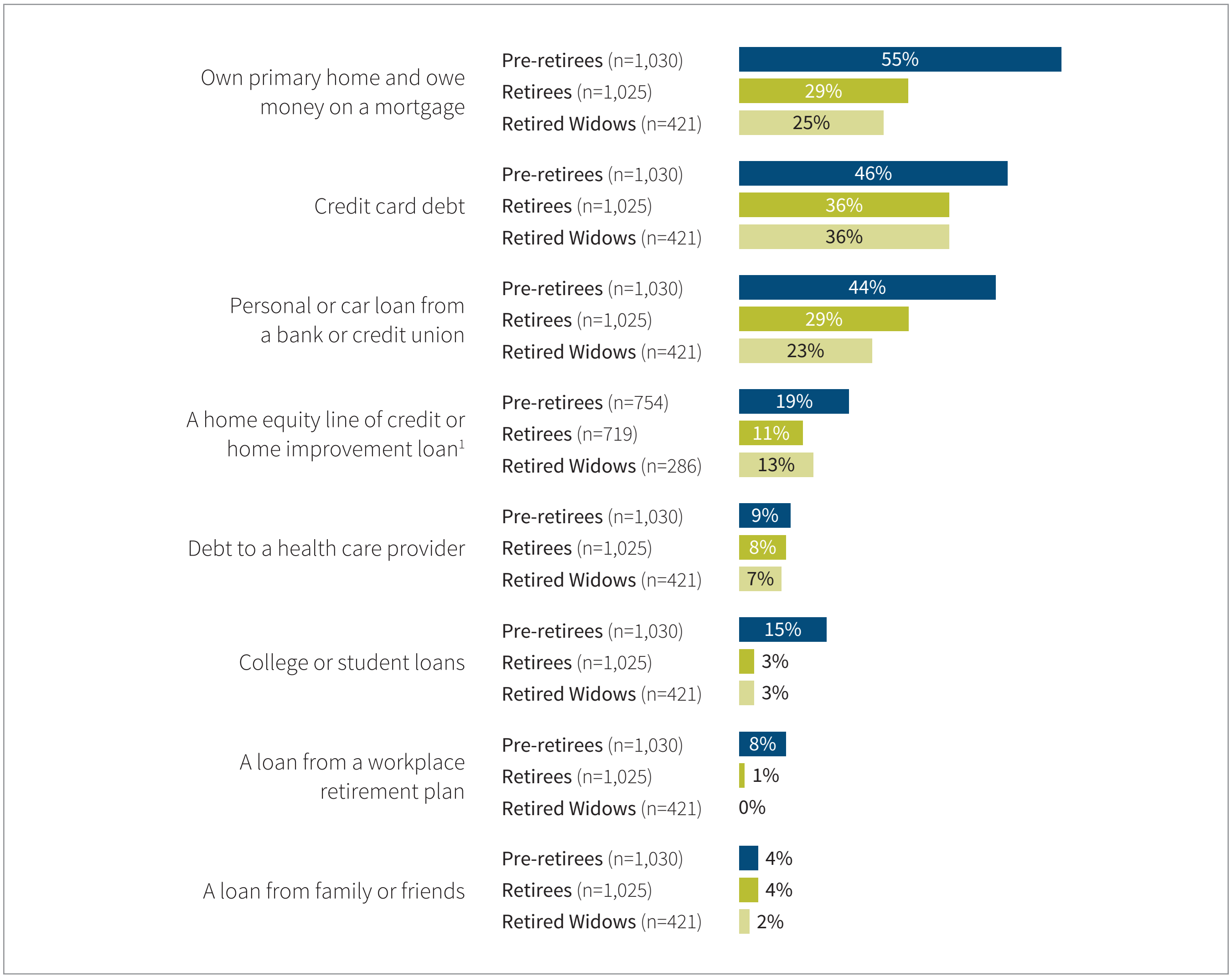
The impact of debt on people of all ages is one of the forces that has led to the growing emphasis on financial wellness. Many average Americans have had little wage growth in recent years, and some have experienced setbacks and periods of unemployment. That has led to debt for some of those families. Some forms of debt have very high interest rates. At the same time, retirement savings in fixed dollar investments have earned very low interest rates in the last half decade.

These trends together make it very important for people to coordinate debt management and retirement savings.

Debt was a topic of emphasis in the 2015 survey, and the findings in the 2017 study are generally consistent with 2015.

TYPES OF DEBT OWED

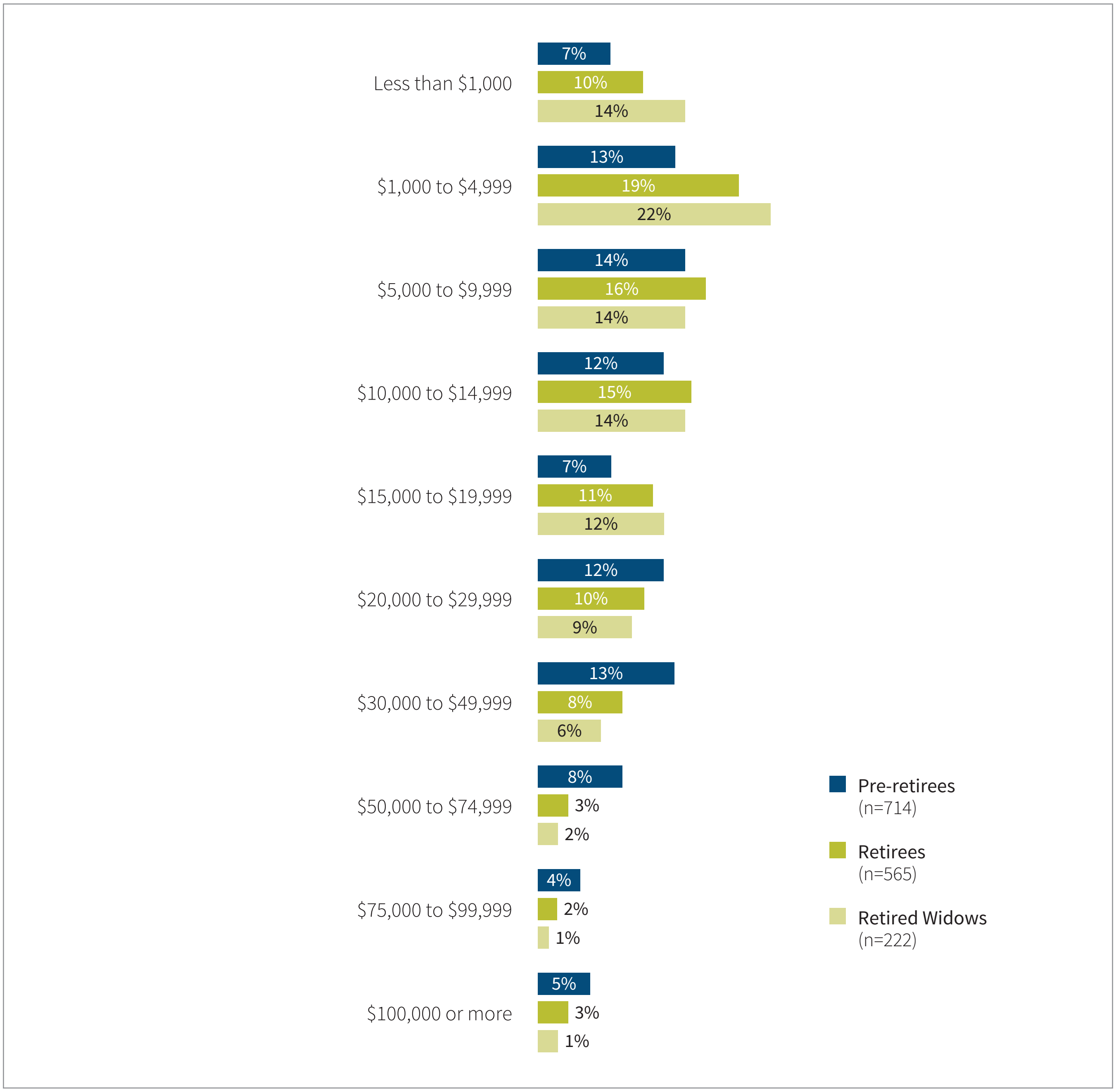
Question 3: Do you (and/or your spouse/partner) currently have any of the following nonmortgage debt/Do you currently own your primary home, rent, or have some other primary living arrangement?



1 Asked among homeowners

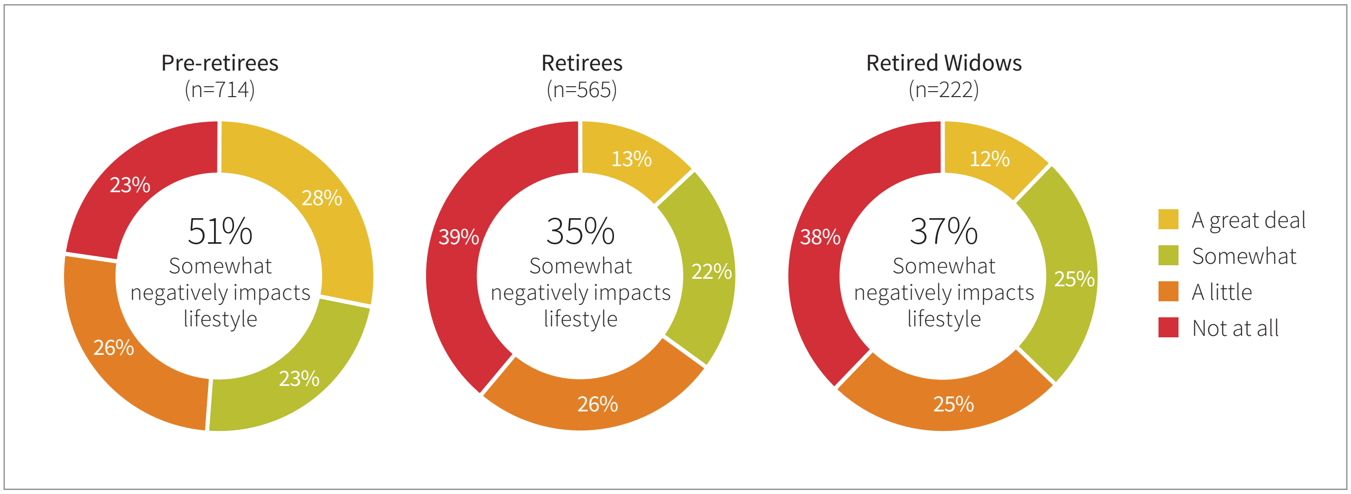
AMOUNT OF DEBT OWED EXCLUDING MORTGAGE DEBT

Question 4: Not including your mortgage, approximately how much debt do you (and your spouse/partner) have in total? (Asked among those in debt)



NEGATIVE IMPACT OF DEBT

Question 5: To what extent, if at all, has debt negatively impacted (how much you are able to put away each month in savings and investments/your ability to maintain your desired lifestyle)? (Asked among those in debt)



The Cost of Financial Shocks

Financial shocks can come with a very high price tag. For instance, only one in three respondents to the 2017 survey said they were financially prepared to handle a 25% drop in their home value, running out of assets or a family member needing financial support. In addition, although a majority indicated they feel prepared to handle smaller financial shocks, a significant number said they would have trouble dealing with major car or home repairs.

Pre-retirees were more concerned about these shocks than retirees. For example, pre-retirees were less likely to say they are prepared to handle a significant out-of-pocket medical expense, a 25% drop in their home value or depleted assets in retirement.

These findings supplement, and bear out, findings about shocks in SOA's 2015 survey, which covered shocks in greater depth.

DISCUSSION

Both expected and unexpected events occur in retirement just as any other time in life. In general, planning for retirement events tends to lean toward what is the short term. That helps drive feelings of security, but, even so, many older people indicated they are not prepared for potentially costly financial shocks in retirement, such as a drop in home value or assets and a family member needing support.

The 2017 set of survey results indicates that both retirees and pre-retirees felt well prepared for some of these expenses, such as car repairs. However, they reported feeling much less prepared for other shock expenses, such as the cost of long-term care.

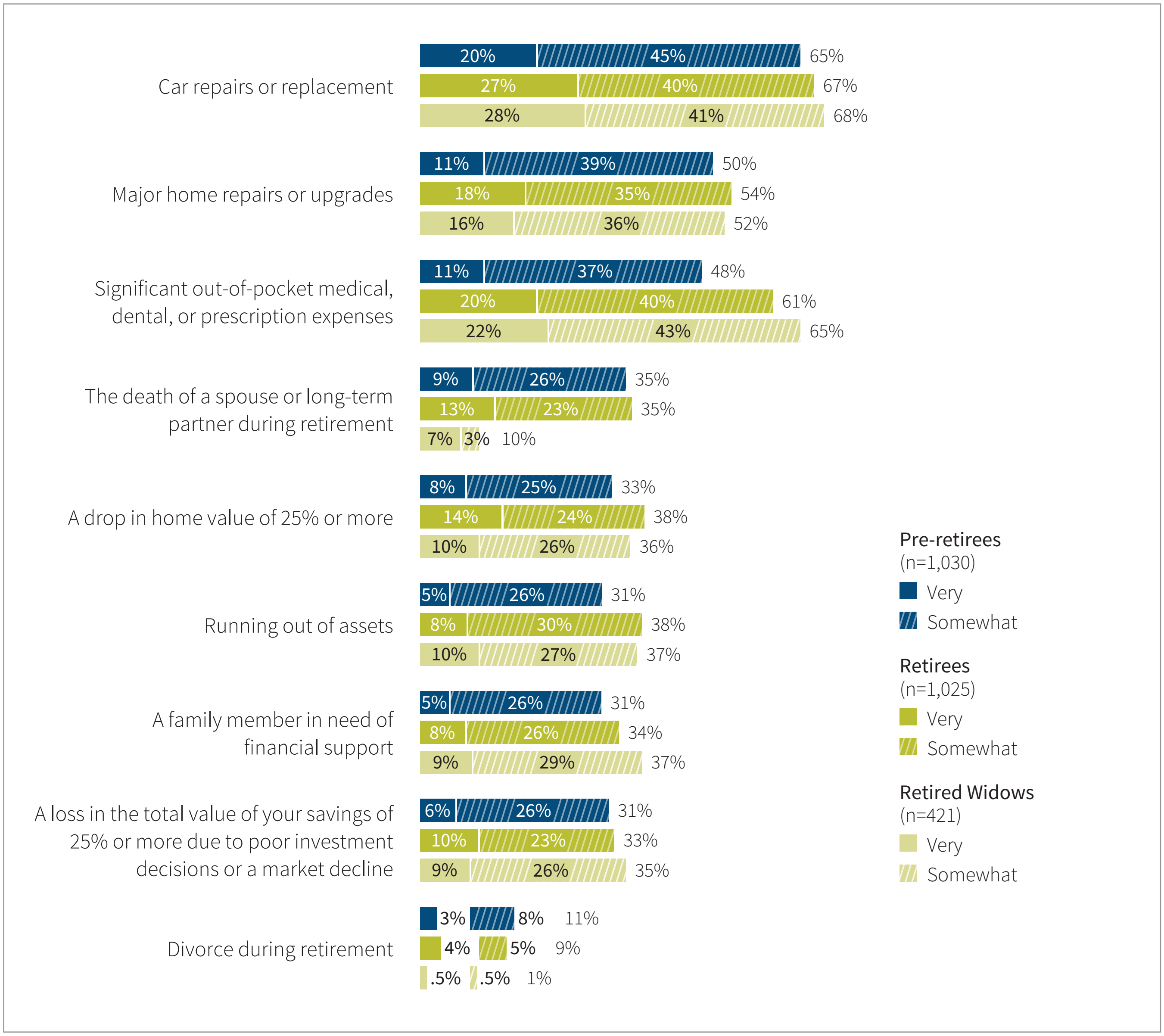
Prior SOA research indicated that the major method of dealing with shocks was to deal with them when they happen, but also to retain assets as long as possible.

The 2015 survey indicated that many retirees were able to adapt and adjust to some shocks. However, this was not the case when they experienced multiple shocks or major shocks such as an extended period of paid long-term care, family members needing help over a longer period and divorce after retirement.

SOA's research with individuals age 85 and over found that long-term care costs were a major concern for these older individuals. Other SOA research has found that many retirees view health care costs as impactful in their financial life. Similarly, SOA focus groups with retirees retired 15 years or more found that many people view the cost of home repairs and upgrades and major dental expenses as significant, although these expenses seem to become less important as people move into the very high ages.

ABILITY TO HANDLE FINANCIAL SHOCKS IN RETIREMENT

Question 6: How well prepared are you financially to handle the following (during retirement)?



Financial Preparations and Protections for Retirement

People can use various financial strategies to manage risks and prepare for retirement. The research found that retirees are more likely to have already taken steps to protect themselves financially as they age while pre-retirees *plan* to do many of these things in the future.

Most respondents indicated they are planning to eliminate their debt, save as much as they can, cut back on spending and pay off their mortgage. Compared to 2015 findings, the 2017 research found an uptick in workers planning to eliminate consumer and mortgage debt.

SURVEY DATA

The data show that pre-retirees anticipate using certain strategies more often than retirees say they use those same strategies.

For example, pre-retirees were more likely to say they have worked, or will work, longer (51% pre-retirees versus 10% retirees), postpone taking Social Security (42% pre-retirees versus 20% retirees) and purchase a lifetime income product (35% pre-retirees versus 24% retirees).

In addition, only a few pre-retirees indicated that they have given a “great deal” of thought to their financial lives during retirement. For example, just three in ten pre-retirees (30%) have given a great deal of thought to how long their assets will last in retirement, and just one in six (16%) have seriously considered how they should invest their assets during retirement. The SOA research does not provide information about how and whether pre-retirees will increase their focus as they near retirement.

Gaps exist in the financial planning of many pre-retirees and retirees, according to the findings. For example, many people indicated that they delay key planning tasks until right before or during retirement, with many not engaging in the tasks at all.

Only two in five pre-retirees said they have a living will (38%), an estate plan (36%) or a plan for investing (37%). A smaller proportion (30%) indicated having a comprehensive financial plan. Retirees were more likely to have completed these tasks, but significant proportions said they had not done so.

Additionally, many pre-retirees indicated they lack insurance protection, such as life and disability insurance, and most retirees said they do not have annuities or long-term care insurance.

Large differences exist, by income level, among those who said they have undertaken various financial planning steps. For example, among pre-retirees, 39% in the highest income group and 11% in the lowest said they have a comprehensive financial plan in place. Among retirees, the variance was 64% and 17%, respectively.

Likewise, among pre-retirees, 48% in the highest income group and 23% in the lowest say they have a living will or health care power of attorney in place. For retirees, the variance was 63% and 44%, respectively.

However, differences by gender were not large.

Most pre-retirees and retirees who have a formal plan for investing or a comprehensive financial plan said they regularly update the plan. More than half of pre-retirees with an investment plan (58%) said they have updated or reviewed it in the past year. Similarly, more than half of pre-retirees with a comprehensive financial plan (56%) reported updating it or reviewing it in the past year.

Living wills, estate plans and life insurance policies are less likely to be updated annually, but the data show that those having those documents still maintain them.

DISCUSSION

The survey question about actions taken for financial protection has appeared consistently in several iterations of the SOA survey over a long period of time. The results show that the top strategies remain the same. Another common finding is that more people expect to delay claiming Social Security and work longer than people actually do.

These actions should be considered together with the planning steps that respondents have used, and with their behaviors when updating plans.

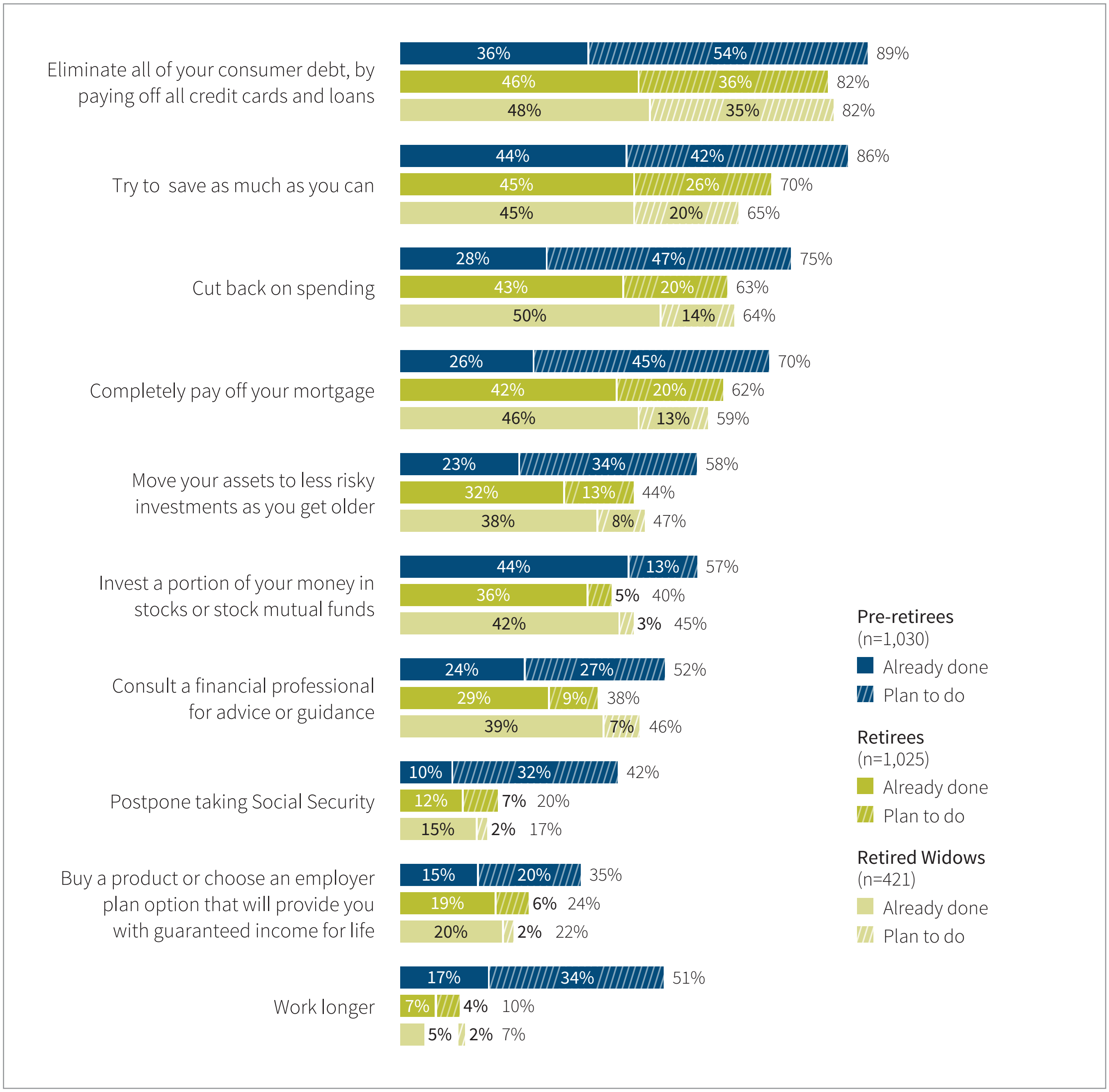
The most common strategies do not directly address major risks and uncertainties in retirement, but the SOA Focus Group research has found that retirees do try to hold onto assets as long as they can.

When the strategies are considered together with holding onto assets, this works out reasonably well for many people. However, the same cannot be said for people with a major long-term care event requiring paid care, those getting divorced after retirement, those whose children need major ongoing help and those experiencing major financial shocks.

For that reason, there is value in looking at the actions taken together with the thoughts and concerns people have as they ponder retirement. Gaps in planning may emerge, which can help highlight areas in need of improvement. As a practical matter, detailed planning is most relevant for those with discretionary income. Individuals who are spending all of their income on necessities are most likely to be unable to consider use of more effective planning.

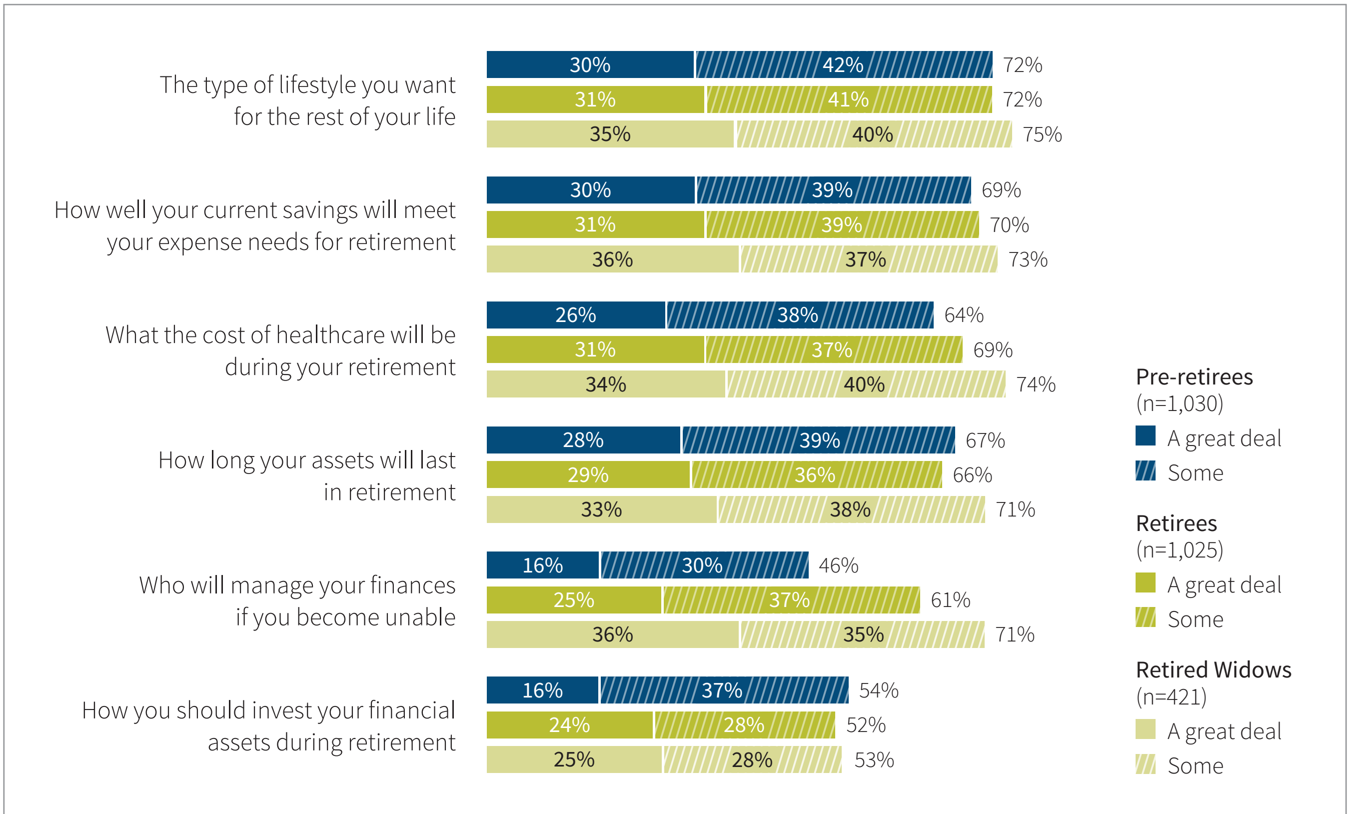
ACTIONS TAKEN FOR FINANCIAL PROTECTION

Question 7: Have you already done the following, plan to do it in the future, or have no plans to do it to protect yourself financially (after you retire/as you get older)?



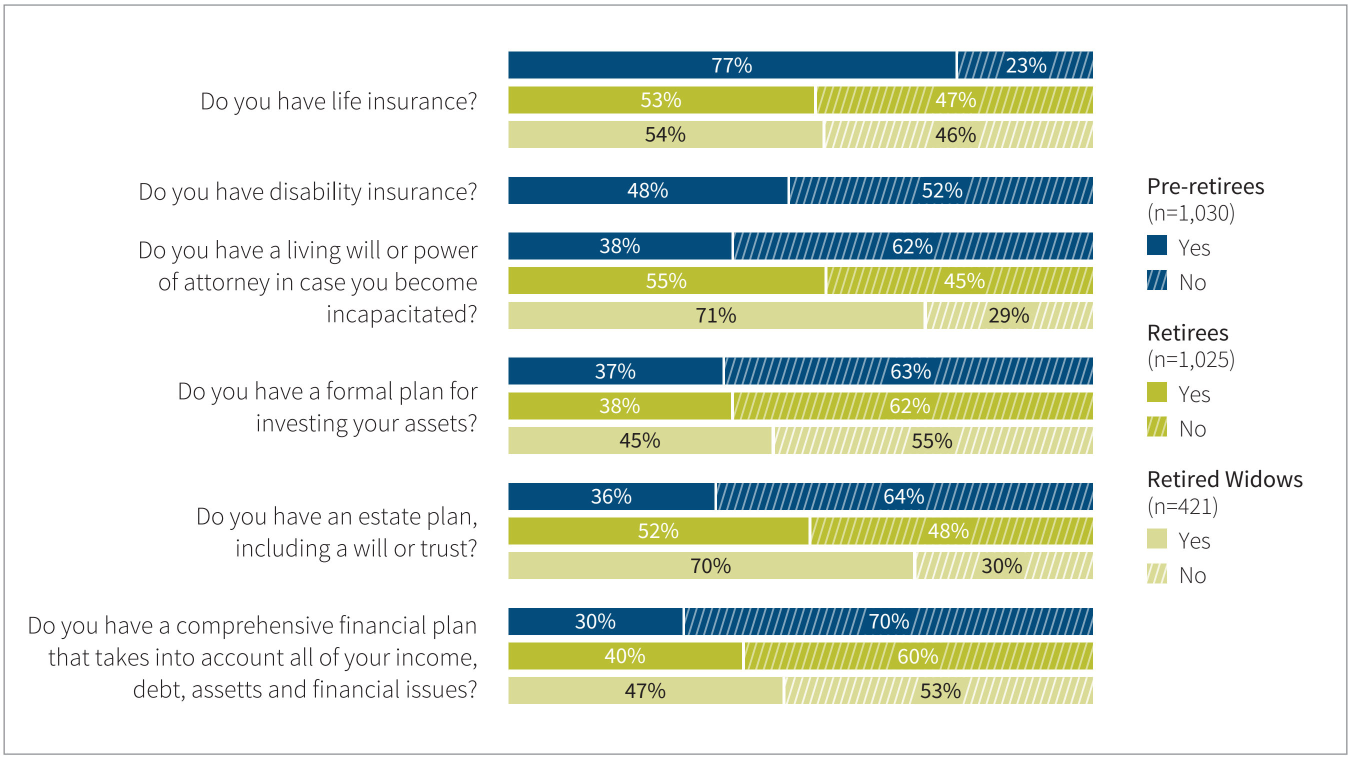
AMOUNT OF THOUGHT GIVEN TO FINANCIAL RETIREMENT ASPECTS

Question 8: How much thought have you given to each of the following aspects of your finances in retirement?



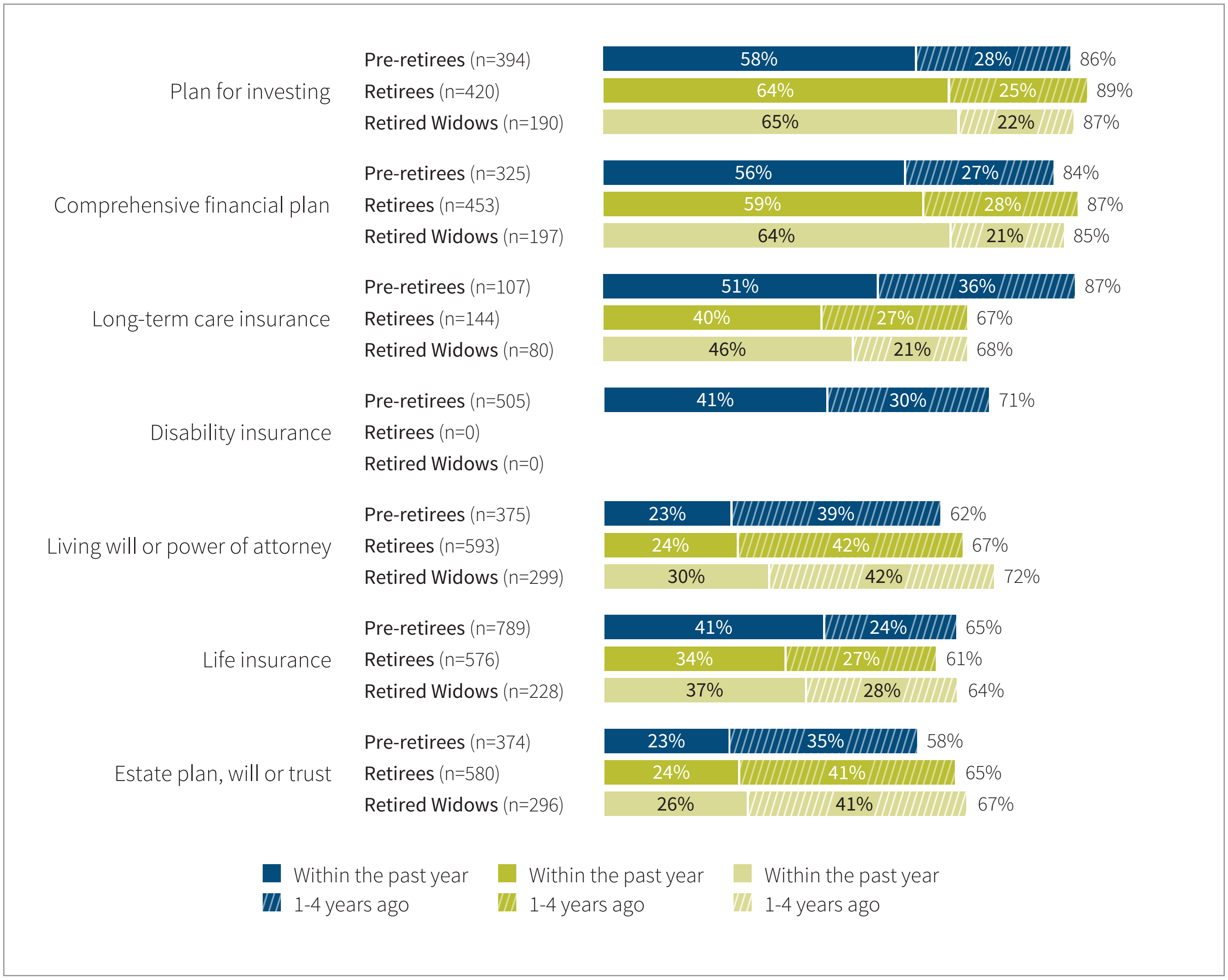
FINANCIAL PLANS IN PLACE

Question 9: Please answer “yes” or “no” to each of the following



MANAGEMENT OF FINANCIAL PLANS AND POLICIES

Question 10: When was the last time you reviewed or updated the following? (Among those who own a plan or policy)



The Role and Impact of Advisors

A clear majority of retirees and pre-retirees are not working with a professional financial advisor, according to the 2017 survey. Just one-third of pre-retirees (32%) and retirees (32%) reported consulting with a financial advisor, and only two-fifths (41%) of retired widows said they are more likely to work with one.

Those working with a financial advisor consult them on a variety of topics, including investment transactions, saving and investing for retirement, and how to generate income in retirement.

Although health care and long-term care are priorities for retirees and pre-retirees, few of these individuals said they are working with an advisor to deal with these issues. This is even though, as noted earlier, planning and working with an advisor boosts feelings of financial security.

DISCUSSION

Gaps in planning have been well documented. The common recommendation is that more people should get professional financial advice. That is not always easy for some consumers, however, for several reasons.

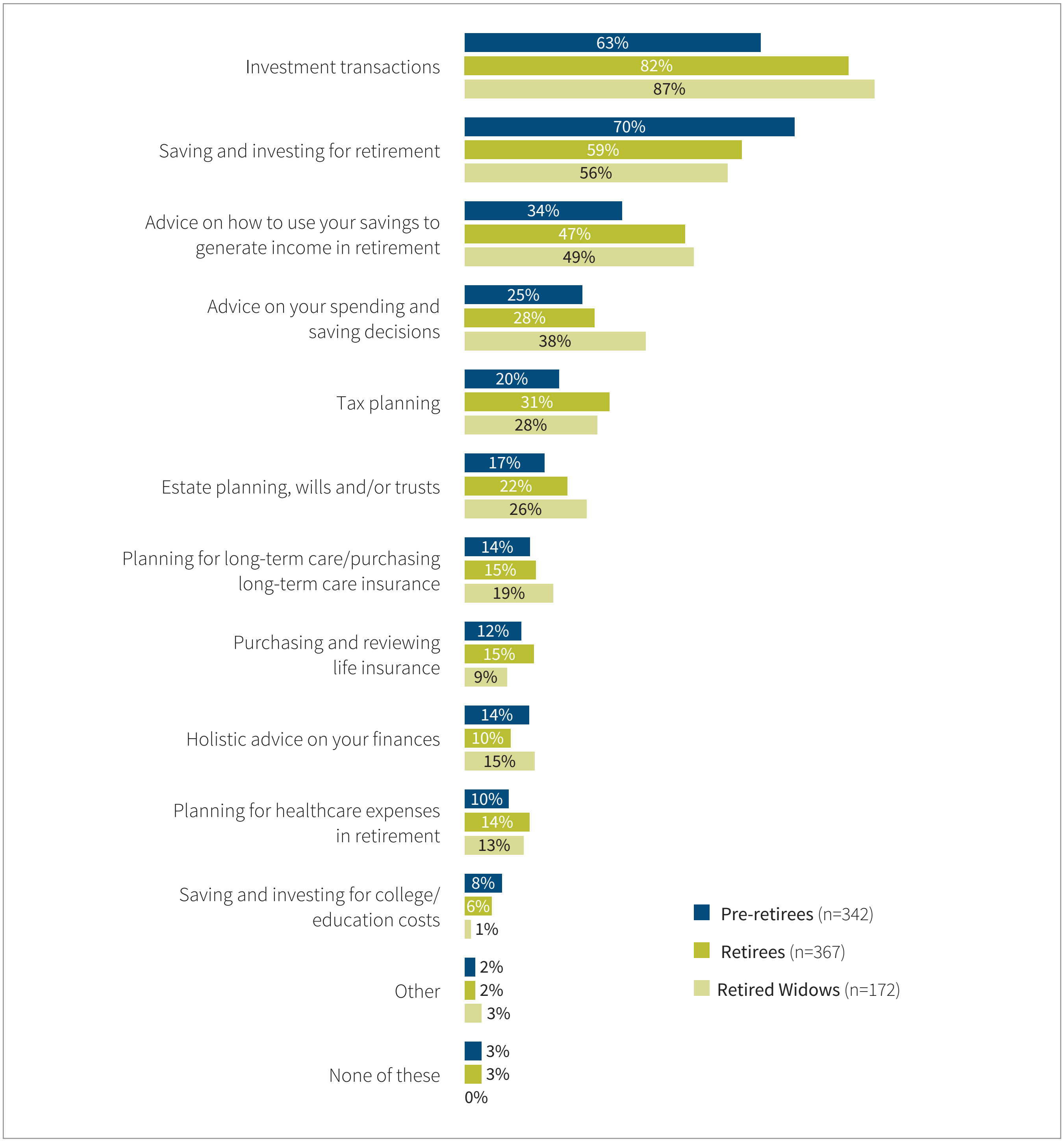
For one, professional advisors have different scopes of services, so it may be difficult for consumers to differentiate among the various types. In addition, many advisors seek out higher income clients, and higher income individuals are more likely than those of more modest means to work with advisors. As a result, those holding fewer assets may have difficulty locating advisors who are serving their needs. Furthermore, the challenges many middle-income Americans face are often not the issues that some advisors are best equipped to address.

Still, the 2017 survey found that those who do work with an advisor report having feelings of economic wellness. These individuals are more likely to have made various preparations for retirement, to be invested in stocks and to focus on less risky investments as they age.

A variety of options and business models exist for providing advice and these models are evolving. For example, more advice is being automated, and automation is playing a bigger role where there is advice. Also, some employers now provide access to advice for their employees. A continuing challenge, however, is that people who seek advice may not know how to select the right type of advice service or professional, where to find such help, and how to understand what they learn from the advice contacts.

GOALS OR TASKS THAT ADVISORS CAN PROVIDE

Question 11: What goals or tasks does your financial advisor help you with? Please select all that apply. (Among those with an advisor)



Insights from Research with Retirees Age 85 and Over

SOA research in 2017 included interviews with retirees age 85 and over as well as adult children of retirees in this age category. The findings from the in-depth interviews with these retirees and adult children appear in the SOA report *Post-Retirement Experiences of Individuals 85+ Years Old*. This report includes direct quotes from the retirees and details on how they manage, some of which appear here.

The results of this research, together with focus groups conducted in 2015 with retirees who had been retired at least 15 years, highlight that important decisions for many middle-income American families go beyond the traditional issues of saving and investing. Both sets of studies build on 2013 focus groups with retirees retired less than ten years.

The earlier research combined with results from the 2017 survey provides new insights into how older Americans think about retirement finances, plan and manage. It is important to study these older retirees because there will be many more of them in the future and many will have longer periods of retirement than previous generations.

RESULTS

The following are major observations and direct quotes from retirees and/or their children collected in the course of the interviews.

Observations

- **Need for help.** Retirees usually plan to remain independent, but when they need help and there is no spouse or partner to provide it, they commonly turn to other family members. They seem to manage reasonably well most of the time when a family member provides help, but sometimes at a heavy cost to those family members. This strategy does not help people who do not have available family members.
- **Cash flow.** Most retirees do reasonably well when it comes to short-term cash flow management, and they make adjustments to fit spending to income.
- **Managing spending.** A common financial management paradigm for middle-income retiree families is to manage regular expenses so that they do not exceed income. These families minimize spending assets and withdraw only the required minimum distribution (RMD) from tax-deferred retirement accounts. They are also reluctant to use home equity to help finance retirement.
- **Meeting unexpected expenses.** Retirees commonly have a goal of maintaining assets but may use assets if there is a major unexpected expense. This strategy was articulated to the SOA in interviews with over age 85 retirees and in 2013 in the focus groups with recent retirees as well as in 2015 with those retired 15 or more years.
- **Adapting to change.** Most people over age 85 seemed to adapt reasonably well to changing circumstances, as did the retirees in focus groups with long-term retirees.
- **Long-term planning challenge.** The success in short-term planning is very different from planning for the longer-term. Most do not have the resources or a plan in place to handle major needs, such as a long period of long-term care. Note that long-term care and caregiving were special topics for the 2017 risk survey.
- **Managing on limited assets.** For middle-income Americans, Social Security is the major source of regular retirement income. Many retirees do not have significant financial assets, and for many, housing equity is substantially greater than their financial assets. These Americans retire and often seem to be satisfied in retirement, even though they do not have a great deal of money.

Direct Quotes

PEOPLE ARE COMFORTABLE WITH WHAT THEY HAVE

- **I don't worry about money … Well, I don't spend a lot and I watch what I spend. I look at the bank statements and if it's going up in the bank, pull back or I'll go in and talk to somebody at the bank sometimes.** —Dyad, elderly parent, over-$50K-asset female, Baltimore, 2017 SOA Interviews of Age 85+ Retirees and Their Children
- **No, I can afford everything I need. There are a lot of things that I wish I could do, but they are not hindered by finances. They are more hindered by my physical capability.** —Dyad, elderly parent, over-$50K-asset male, Baltimore, 2017 SOA Interviews of Age 85+ Retirees and Their Children
- **So I'm perfectly happy. I could even do with a lot less than I have.** —Elderly, under-50K asset female, Baltimore, 2017 SOA Interviews of Age 85+ Retirees and Their Children

ADJUST TO THE SITUATION AT HAND

- **Back home [Iran] she doesn't have any problems financially. But here her financial situation, it's not as much as it used to be. But she's doing okay so far. She doesn't afford whatever, but mostly she knows her limit. So she doesn't have high expectations.** —Dyad, adult child, under-$50K-asset female, Los Angeles, 2017 SOA Interviews of Age 85+ Retirees and Their Children
- **But you're also capable of adjusting. If you see it's getting out of hand, you can always just scale it back.** —Male, Chicago, SOA 2013 focus groups with recent retirees
- **I think our needs are a lot less than our wants, and we all have way too much stuff that we can live without.** —Female, Chicago, 2015 SOA 15 year plus retirees Focus Groups

CHILDREN A MAJOR SOURCE OF HELP

- **My father took full charge of things and he didn't consult me, but he was very knowledgeable. And then, when he died, Mom started asking me, I guess, gradually about different things and to tabulate the different sources of money, help invest and to research the insurance, but Mom still did, I guess, most of it herself. I guess it wasn't until about maybe about seven or eight years ago that I became the primary financial decision maker.** —Dyad, adult child, over-$50K-asset female, Baltimore, 2017 SOA Interviews of Age 85+ Retirees and Their Children
- **I'm not good with numbers and figures at all. I just don't understand. So when I sold my house, I turned the money from the house over to my son, and he said he would take care of my finances and give me money. When I moved in here, he said, "Mom, you're going to be fine. You can live for 15 more years. After that, we have to worry."** —Elderly, over-$50K-asset female, Los Angeles, 2017 SOA Interviews of Age 85+ Retirees and Their Children

SHOCKS AND UNEXPECTED EXPENSES

- **I built a house. The eleventh year after I built it, of course their warranty was 10 years, on the eleventh year there was a leak in my bathroom and I didn't know it. I am highly allergic to mold and it cost me $13,000.** —Female, Dallas, 2015 SOA 15 year plus retirees Focus Groups
- **My son had cancer, and I wanted to help him. He asked for nothing and was extremely appreciative. He is also in the construction field, and it is cyclical. It's up and down. So when I felt he was really having an issue, why not help him now instead of waiting till my demise?** —Female, Chicago, 2015 SOA 15 year plus retirees Focus Groups

- **My son became very ill and he had a house and he thought he had insurance that kicked in after he was off so long and he went right into debt with this house. He was going to lose it, so I had to remortgage my house to get out of that mess and then he sold it.** —Female, Kitchener, Ontario, 2015 SOA 15 year plus retirees Focus Groups
- **The biggest thing, about 18 years ago, I did have a lot of shares of Citigroup, and they were paying like $17,000 a year dividends. That went down to $30.** —Male, Baltimore, 2015 SOA 15 year plus retirees Focus Groups

CONCERN ABOUT LONG-TERM CARE

- **Not having long-term care insurance is a big concern at my age. I am concerned about that and I hope that I stay healthy. That is a concern, particularly with the man in Washington talking about doing away with health care.** —Elderly, over $50K asset female, Los Angeles, 2017 SOA Interviews of Age 85+ Retirees and Their Children

Conclusion

Financial wellness focuses on a range of lifetime financial issues and integrates planning for and managing in retirement with the total range of issues. The SOA research on retirees at different stages shows that retirees often handle their short-term cash flow needs pretty well, but major shocks can push a retirement out of balance.

Family is the primary first line for help, but this does not always work out. Major problems can face people who suffer major shocks such as needing a long period of paid long-term care and people needing help if no family members are available.

The research with individuals at different stages of retirement helps us understand how people are doing. The risk surveys offer a series of quantitative studies, and the interviews and focus groups add rationale and thinking to the story.

References

SOA BIENNIAL RISK SURVEY SERIES

SOA FOCUS GROUPS AND IN-DEPTH INTERVIEWS

- *Post-Retirement Experiences of Individuals 85+ Years Old: A Report on 62 In-Depth Interviews in the United States and Canada,* Society of Actuaries, 2017
- *Post-Retirement Experiences of People Retired for 15 Years or More,* Society of Actuaries, 2016
- *The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups,* Society of Actuaries, 2013

Relevant Essays[2]

Financial Wellness: Overview of Society of Actuaries' Essay Collection

Financial problems are a major source of anxiety for many Americans. Employers are recognizing that anxiety about finances is leading to distraction and loss of productivity. Respondents to a recent survey on financial wellness said that they spent an average of 13 hours per month at work worrying about personal money matters. The same survey showed a median of five hours, indicating that some employees are spending a lot more time at this than others.[3]

Employees who are apprehensive are often concerned about immediate problems such as paying their bills, a current emergency or dealing with immediate debts. Their thinking revolves around day-to-day issues. At the same time, employers are confronted with increasing responsibility for financial planning and retirement security due to the continuing replacement of defined benefit pension plans with defined contribution plans such as 401(k) plans. The newer retirement plans require the active involvement of employee participants. For many workers, that poses problems, because individuals vary greatly in their financial knowledge and skill, and many lack the basic financial literacy needed to perform financial analysis and understand choices.

The Society of Actuaries (SOA) published a collection of essays on financial wellness in 2017. Overall, the essays focus on ideas and suggestions to improve financial wellness through better planning and personal financial management. These ideas are important for employers who may decide to offer employees planning support through software as well as to individuals and their advisors.

ACCESSING THE ESSAYS:

The SOA website hosts the essays in the Financial Wellness Essay Collection. They are available on the research page on Aging and Post-Retirement where many additional reports on retirement topics also appear.

The following discussion shares ideas from the essay collection. It focuses on employer program considerations and personal planning considerations and provides summaries of a few essays and some perspective on these issues.

EMPLOYER PROGRAM CONSIDERATIONS

Employers seeking to provide benefits that effectively deal with employee needs are increasingly embracing the concept of "Financial Wellness." Employers know that their employees often look to them for resources to help them make optimal choices and relieve financial stress and anxiety. This can provide invaluable information since many employees have no access to personalized financial advice other than what they get from their employer.

Financial wellness strategies provide a different approach to financial success compared to more traditional retirement planning and risk management methods. The two approaches are not inconsistent, but they differ in certain aspects. For instance:

- **Financial wellness** takes a broad view of all factors impacting financial success. It includes primary emphasis on debt management and achieving multiple goals in tandem and balances doing with planning.
- **Traditional benefit planning** often focuses more on addressing risks discretely, rather than in a systematic or holistic fashion (although this is not always the case).

The need to bring together thinking about short- and long-term issues is particularly relevant in today's economic environment. For example, while fixed dollar investments have generated very low returns in recent years, interest charged on credit card debt can be 18% a year or more. This wide disparity means individual investors will be in a better position financially if they can find ways to coordinate short-term debt management with longer term planning. Access to financial advice could help them get there.

2 The essays are the opinion of the individual authors and not an opinion of the Society of Actuaries.

3 From Mercer study "Inside Employees' Minds: Financial Wellness," 2017

ESSAYS ON EMPLOYER/BENEFIT PLAN ISSUES

SOA essays on helping employers manage wellness programs address many critical topics and considerations. Some examples follow.

- **Rethink 401(k) plans.** This essay provides a history of the evolution of 401(k) plans and proposes further changes to their structure and legal governance to enable them to further evolve into lifetime security accounts. The essay begins by reviewing the current state of such plans, which typically include automatic features and a design that facilitates asset aggregation and retention and modern loan provisions. Next comes a look at the proposed next generation; here the focus is on designing lifetime financial instruments that are very portable and can address a variety of financial goals. These strategies aim to reduce the emphasis on retirement and focus instead on capital accumulation.[4] The essay suggests changes in design such as adding death and disability insurance, allowing additional rollovers and plan-to-plan transfers, allowing one loan of each of several types, etc. The essay is a great document to use in starting a discussion about whether existing plans meet the realistic needs of employees today and how they should evolve.
- **Measure investment return from employee wellness programs.** This essay looks at how financial anxiety leads to loss of productivity at the workplace. It also provides a means for employers to calculate a return on investment for financial wellness programs. The return on investment calculation example includes an allowance for reduced garnishment, payroll taxes saved due to contributions to flexible savings accounts and/or health savings accounts, reduced absenteeism and turnover, health care cost savings and reductions in delayed retirements.[5] The essay also discusses a variety of different benefits that employers derive from offering a financial wellness program.
- **Make workplace programs successful.** This essay reports on a 2016 International Foundation of Employee Benefits Plans survey of plan sponsors about their programs in financial wellness and education. It identifies various factors that contribute to the success of these programs.[6] For example, the discussion of best practices for success includes making financial education a commitment and being patient, knowing the employee population, diversifying topics and formats, customizing and personalizing education, and increasing accessibility and inclusion.
- **Use technology effectively.** This essay points out how software can help bring average employees the types of analysis and advice that can be secured from financial advisors. The essay focuses on key ingredients of an effective technology solution. It provides a vision of good solutions that works for both the short term and the long term, and that enables employees to access solutions that are often available only to people with advisors. It proposes that such software needs to include data aggregation to bring together all of an employee's household data, life-planning questionnaires to learn about the household's needs and stochastic analysis. Such software should consider the need for emergency funds, preparing for education costs for children, buying a house, dealing with debt and considering long-term issues such as saving for retirement.[7]

ESSAYS ON FINANCIAL WELLNESS AND INDIVIDUAL RESPONSIBILITY

A number of SOA essays offer ideas for personal action and planning. It is critical for all stakeholders to remember that individuals themselves are ultimately responsible for their retirement security. Personal planning and decision making involve trade-offs, discipline, complex choices and periodic adjustments. Plan sponsors cannot eliminate the challenges

---

4 See J. M. "Jack" Towarnicky, "My Financial Wellness Solution: The 401(K) as a Lifetime Financial Instrument."

5 See Gregory Ward, "Calculating ROI: Measuring the Benefits of Workplace Financial Wellness."

6 Julie Stich, "What Makes a Workplace Financial Wellness Program Successful?"

7 Scott Marcotte and John Larson, "Financial Well-Being as a Technology Solution."

this responsibility brings, but they can offer tools, education and a roadmap that can help lead to a secure retirement destination.

In covering a range of aspects of the planning process, these essays are well balanced and complement each other very well. Here are some examples.

A framework for thinking about the post-retirement period. One essay defines a framework for designing layers to address post-retirement needs and provide elements of support. The essay further defines a paradigm of planning adjusted for different levels of certainty for each layer. The three planning layers are basic living costs, costs to provide comfortable living and desired intergenerational transfers. The author suggests that basic living costs should be covered with certainty, comfortable living costs with x% probability of covering them, and the desire for intergenerational transfer with a probability of y%. Each layer would then have a different type of funding strategy. For example, basic living costs would be funded by Social Security, defined benefit pensions and annuity income. The choice of x% and y% probabilities would influence funding strategies for these layers. To cover these layers, the author suggests the following elements of support: government safety net, social safety net, e.g., family support, retirement plan accounts (both employer-sponsored and individual) and additional personal savings.[8]

An alternative framework for the post-retirement period. One essay looks at a simplified way to think about the post-retirement period: Use a stream of fixed income to pay living expenses and a nest egg to pay other expenses. Regular living expenses include home-related expenses, taxes and fees, repayment of debt, automobile expenses, insurance premiums, personal expenses including food and clothing and discretionary expenses that can be budgeted. This essay does not separate expenses into basic living costs versus those that raise the standard of living.[9]

Apply actuarial principles to personal financial well-being. This essay focuses on balancing asset accumulation and consumption and keeping the balance intact throughout the working and retirement years. It applies key principles such as matching assets with liabilities, keeping track each year, monitoring results and making appropriate adjustments. Keeping track, monitoring and adjusting the plan should be part of any longer-term planning process. This essay also encourages readers not to forget medical expenses, other unexpected expenses and the role of home equity. The two essays discussed above focus more on identification of the assets and consumption, whereas this essay is concerned with following a process that works well over time.[10]

Think about consulting a personal risk manager. This essay suggests that people use a personal risk manager as part of the planning process. Such a manager can help with maintaining a margin of safety, using scenarios to test potential outcomes, using cost-benefit analysis to support decisions and making conscious choices rather than accepting defaults. Individuals can serve as their own personal risk manager or engage someone else.[11]

OTHER ESSAYS

The collection also includes essays that focus on choosing assumptions for planning calculations, special issues for families providing support to family members and others in need of assistance, and lessons learned by the authors from their personal experiences.

For the plan sponsor, the essays that focus on personal planning provide insightful ideas that can be integrated into their programs and objectives in several ways:

- They can help sponsors decide what types of issues to cover in wellness programs.
- They can provide background for evaluation of educational

8 Joonghee Huh, "A Framework for Multilayered Post-Retirement Financial Planning Strategy: Critical Assessments of Individual Needs and Available Resources."

9 Barry Kozak, "Time to Ditch the Three-Legged Stool Analogy for Retirement and Replace with a Two-Picture Analogy: A Mailbox and a Piggy Bank."

10 Ken Steiner, "Using Sound Actuarial Principles to Enhance Financial Well-Being."

11 Max J. Rudolph, "Personal Risk Manager: Driver of Resilience."

and planning tools for employees.

- They can be offered as resources to employees who want to think about their own planning.

MY PERSPECTIVE

The essays are largely about financial considerations. It is true that discussing money is critical to planning for retirement, but that is not the whole story. I recently wrote my own definition of retirement wellness:[12]

To me, retirement wellness means:

- Having a framework—financial, social and purposeful activity and health related—for managing one's life in retirement.
- Having sufficient financial resources and a system to manage them to make the framework a reality.
- Having knowledge and perceptions that are compatible with the framework and resources.
- Having passions and activities that bring meaning to one's life.
- Working to maintain reasonable health or to manage one's life satisfactorily within the constraints that are present.
- Having housing that supports life activities and personal needs, and that is compatible with financial resources.
- Having a basic financial structure to build on.
- Having a reasonable network of personal contacts.

These essays help readers understand that there are many dimensions to think about in improving financial wellness. Even more importantly, they drive home the message that there are no easy, simple answers. Thank you to the SOA for sponsoring these essays.

By Anna M. Rappaport
Chair, Committee on Post-Retirement Needs and Risks

12 From Anna M. Rappaport, "Ideas for Improving Retirement Wellness," *Benefits Quarterly*, vol. 32, no. 4 (2016): 8–19.

Awareness, Education and Practice are Keys to Financial Wellness

By Dana Anspach, CFP®, RMA®
Founder and CEO of Sensible Money, LLC

Financial irresponsibility was not an option for me. I grew up with a father who embedded the concept of responsible money decisions deep into the psyche of his children. Sure, when I was younger, I accumulated a bit too much credit card debt. As I matured, I paid it off. And yes, I wish I would have started saving for retirement earlier, as Dad said. I'm making up for it now.

Overall, the basics of financial wellness, managing my money in a way to spend less than I earn, save for the long term, and take adequate steps to manage potential financial risks, were concepts I was lucky enough to learn from my family. Many people, however, are not taught these basics and are left to figure it all out on their own. To whom can they turn? How are they even to know what their options are?

Put a different way, many friends who have credit card debt tell me that they have "some" debt because they don't pay off their credit cards each month. "But," they add, "I'm no different than anyone else. That's just how people do things." In other words, normal feels safe. Why do things differently if you feel you handle things the way any average person handles things?

I have been a practicing financial planner since 1995. Over the years, I've seen a plethora of ways people are, or are not, successful with money. I've watched countless people change their habits and become financially stable, while others seem stuck in a rut. And, I've found myself intrigued as I've watched both friends and clients go through the Dave Ramsey *Financial Peace University* program and get super-passionate about getting out of debt. Not only are they passionate about it, they do it.

Many a time, I have wondered "What makes one person change financial behaviors, while another does not?" The book The *Power of Habit* by Charles Duhigg provides some answers. The author looks at various behaviors such as gambling, weight loss and money management, and digs into the factors that make some people successful at changing their habits in these areas. He breaks it down to the ability to identify a behavior that triggers a routine that leads to a reward.

Those who are successful at changing habits recognize the trigger and substitute a new healthier routine in place of the prior less healthy one. But what makes someone want to change their behavior in the first place? What motivates them to want to raise their level of self-awareness to the point where they can recognize the trigger, and how will they know what the new routine should be? These, I believe, are the questions a successful financial wellness program needs to address. I think of the three key components as awareness, education and practice.

AWARENESS

The quick endorphin rush that comes from buying an expensive cup of coffee might be a habit you're addicted to while being completely unaware of the financial harm it's causing. A prime example would be a waitress I met who openly shared she had been spending over $400 a month on expensive coffee drinks for months in a row. Only when her bank began categorizing spending and sending alerts did she become aware of the impact of her behavior. She decided to make more coffee at home and use a to-go cup.

Awareness applies not only to spending habits but also to values. If the value of financial responsibility was a concept you were never exposed to, it would never cross your mind to choose it. Awareness can be the possibility of a new way of thinking. The possibility of having no debt. The possibility of less stress. The possibility of change. If you can't inspire people to want to change, all the education in the world won't make a difference.

EDUCATION

As laid out in *The Speed of Trust* by Stephen M. R. Covey, a lack of trust increases costs for everyone. At the level of personal finances, I think of this each time a person tells me the reason they don't contribute to their 401(k) plan is because they think the company might be able to keep their money. Education is key to increasing trust, and it must cover essentials. You can have the best possible explanation as to what a “moderate aggressive” portfolio is, but if an employee thinks the company can take their money, they still won’t participate.

Education should include basic budgeting concepts. Meet a couple I know: a massage therapist married to a school administrative assistant. He has wanted to make better financial decisions for years but hasn’t been successful. After going through a budgeting program, he was thrilled to share with me that they paid off an entire credit card in a month by packing their lunches and making more dinners at home. Although making these changes to spending may seem obvious to some, he hadn’t known what to do. Once shown, he happily implemented the changes. It’s naturally hard to draw a line between where awareness ends and education begins, but combined, they have a powerful impact.

PRACTICE

Athletes practice. Performers practice. Nearly anyone who has been successful at anything practices. When it comes to finances, people forget this. Consider the young attorney I met who said she didn’t believe in the stock market. She invested in a stock once, and it lost money. Investing in a single stock and thinking it will only go up is a common mistake that new investors make. If she had looked at it this way, her future choices might have been different. By allowing practice into the way people build new money habits, it leaves room for mistakes.

We didn’t learn to walk in a day. And we certainly fell while we were learning. Too many people judge themselves so harshly that they make no forward progress. To them, the mountain in front of them that represents financial success seems insurmountable. It’s far less daunting when broken down into lessons and steps. The first step could be as simple as opening a savings account. Breaking actions into baby steps and allowing for mistakes is a key component of financial wellness.

CONCLUSION

It would be wonderful to live in a world where financial wellness was part of our educational curriculum. I believe that would have a meaningful impact on the way future generations handle their money. That won’t help those that are in the work force today.

For those now in their working years, more online and workplace programs can be a great solution. I like the idea of interactive online programs that allow people to participate at home, with other family members if desired. If those programs can sufficiently address the issues that drive change, they will be successful.

Profile of Respondents in 2017 Survey

	Pre-retirees (*n* = 1,030)	Retirees (*n* = 1,025)	Retired widows (*n* = 421)
Age			
45 to 54	54%	14%	*
55 to 64	38	27	16%
65 to 74	7	37	57
75 to 80	*	22	27
Sex			
Men	45%	50%	—
Women	55	50	100%
Marital Status			
Married	64%	48%	—
Widowed	3	23	100%
Separated or divorced	15	15	—
Single, never married	13	9	—
Living with a partner	6	5	—
Education			
High school graduate or less	32%	47%	20%
Some college/trade or vocational school	26	26	40
Bachelor's degree	21	13	19
Graduate or professional degree	18	10	15
Postgraduate work	3	3	6
Employment status			
Working	96%	8%	2%
Retired	—	84	95
Disabled and unable to work	2	7	3
Laid off/unemployed seeking work	1	1	—
Homemaker	*	1	—
Something else	*	—	—

* ≤0.5%

Profile of Respondents (Cont.)

	Pre-retirees (*n* = 1,030)	Retirees (*n* = 1,025)	Retired widows (*n* = 421)
Number of Children/Stepchildren			
None	25%	24%	12%
One	19	14	16
Two	30	28	34
Three	14	19	21
Four or more	12	15	17
Health Status			
Excellent	16%	11%	13%
Very good	44	36	46
Good	31	35	29
Fair	9	15	11
Poor	2	3	1
Household Income			
Less than $25,000	6%	28%	24%
$25,000 to $34,999	6	12	20
$35,000 to $49,999	10	14	17
$50,000 to $74,999	17	16	24
$75,000 to $99,999	16	9	8
$100,000 to $124,999	16	10	3
$125,000 to $149,999	10	5	3
$150,000 or more	20	6	1
Total Savings/Investments (not including primary residence)			
Less than $10,000	13%	24%	22%
$10,000 to $24,999	6	7	7
$25,000 to $49,999	10	5	5
$50,000 to $99,999	9	7	7
$100,000 to $249,999	18	10	13
$250,000 to $499,999	17	11	12
$500,000 to $999,999	10	10	12
$1 million or more	10	13	7
Prefer not to say	6	12	15

* ≤0.5%

Profile of Respondents (Cont.)

	Pre-retirees (*n* = 1,030)	Retirees (*n* = 1,025)	Retired widows (*n* = 421)
Home Ownership			
Own home free and clear	27%	46%	50%
Own home, owe mortgage	55	29	25
Own home, owe reverse mortgage	*	1	3
Rent home	17	20	18
Have some other primary living arrangement	2	4	4
Employer type (of primary occupation before retirement)	(*n* = 999)	(*n* = 1,025)	(*n* = 421)
For-profit business	68%	52%	48%
Another government organization	13	16	18
Not-for-profit organization	18	12	18
Military or public safety	1	6	2
Not immediately employed before retirement	—	15	14
Equity in primary home	(*n* = 826)	(*n* = 808)	(*n* = 329)
None/Zero	2%	4%	3%
Less than $10,000	4	4	2
$10,000 to $34,999	8	6	7
$35,000 to $49,999	8	3	5
$50,000 to $99,999	15	14	12
$100,000 to $149,000	14	14	14
$150,000 to $199,999	9	14	14
$200,000 to $299,999	15	11	15
$300,000 to $399,999	9	10	6
$400,000 to $499,999	3	4	5
$500,000 or more	5	8	7
Not sure	8	8	10
Who else lives in household?			
Your spouse or partner	68%	52%	—
Child(ren) 18 or older	26	12	18
Child(ren) under 18	19	4	2
One or more of your parents or in-laws	5	3	1
A friend or roommate	2	3	4
Grandchild(ren) under 18	1	2	5
One of your (or your spouse's/partner's) siblings	1	2	1
Grandchild(ren) 18 or older	1	1	3
A tenant or someone who rents a room/basement	*	*	*
One or more of your grandparents or in-laws	*	—	—
None of these/Live alone	19	34	75

* ≤0.5%