

Financial Security: A Critical Component of Employee Well-Being

Human Resources Leadership Forum
buildcommonwealth.org/wellbeing2022

October 19, 2022

About Commonwealth

Commonwealth is a national nonprofit building **financial security and opportunity for financially vulnerable people** through innovation and partnerships.

Agenda

- Financial Insecurity & Worker Well-Being
- What Employers Can Do
- Framework for Emotional-Financial Well-Being
- Meeting this Moment

Poll

What fraction of your organization's workforce sees "financial insecurity" - living paycheck to paycheck - as a major problem?

- Less than 25%
- 25 to 50%
- 50 to 75%
- 75% or more



Financial Insecurity & Worker Well-Being

Context: “I have \$1.06 in my bank account”

“Government shutdown spotlights bigger issue: 78% of workers live paycheck to paycheck”



"Furloughed worker living paycheck to paycheck: I have \$1.06 in my bank account"



"Government shutdown exposed Americans' deep savings crisis"



"Financially Struggling Government Workers Are Caught Up In Shutdown"



"Predatory Loans offer tempting stopgap for federal workers missing second paycheck"

Financial Insecurity: Widely-Recognized Problem

81%

see financial insecurity as a major problem

85%

financial insecurity could happen at any income level

55%

it's common to fall in and out of financial insecurity

75%

have experienced financial insecurity

Impact of Financial Insecurity on Corporations



\$250
billion

In lost productivity, due to financial stress

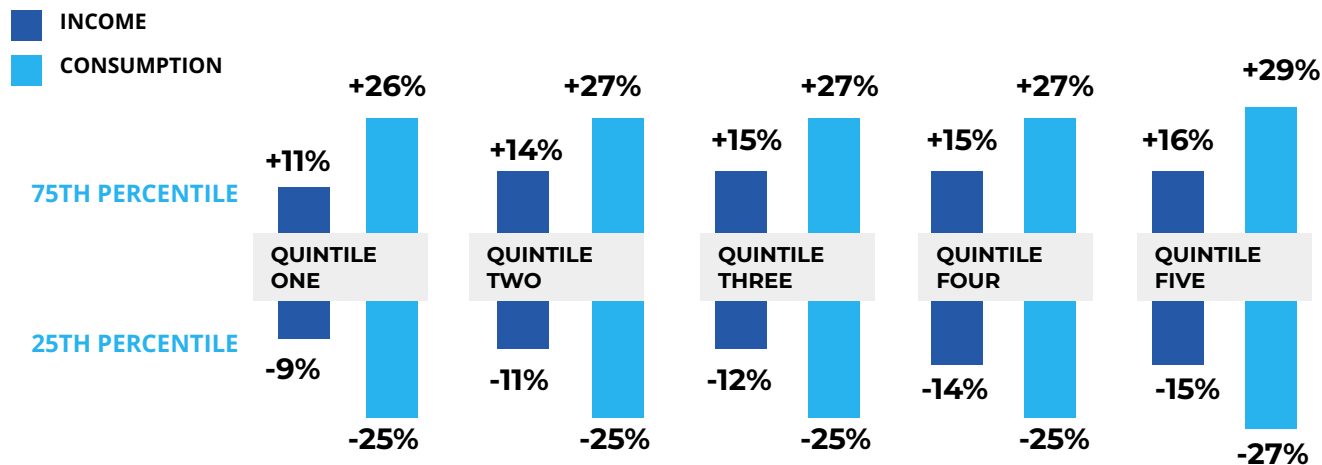


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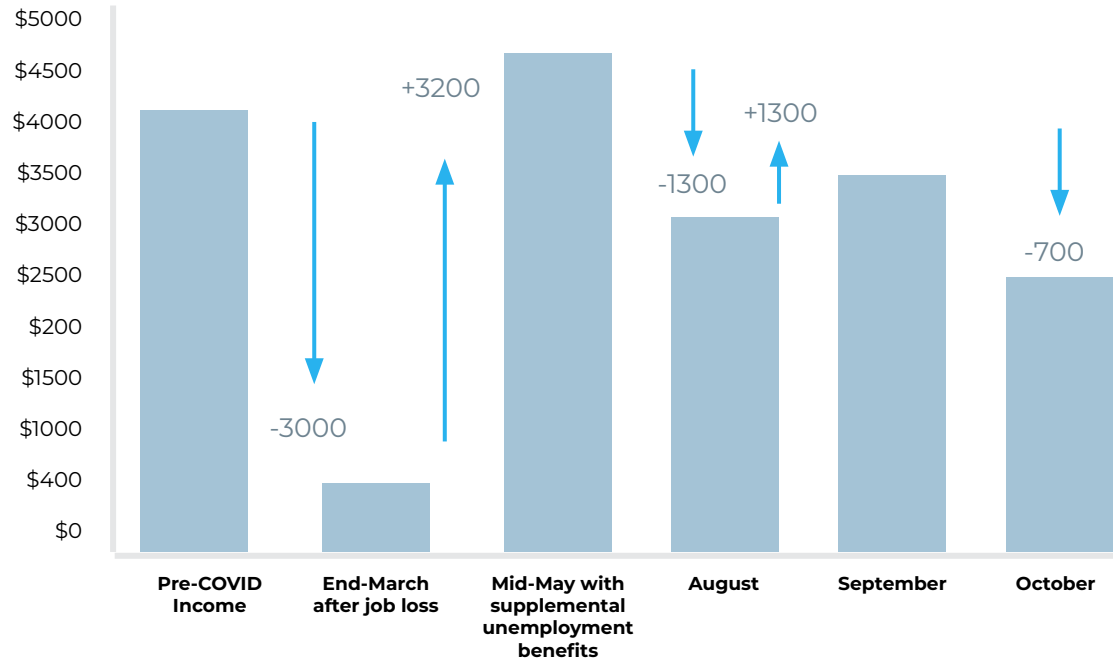
Financial Volatility: Common, Extreme, Impactful

MONTH-TO-MONTH INCOME AND CONSUMPTION VOLATILITY BY INCOME QUINTILE 25TH AND 75TH PERCENTILE

Half of the sample experienced monthly volatility in income and consumption within the ranges below any given month.



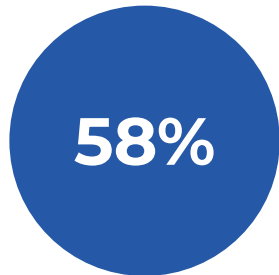
Commonwealth's Financial Resilience Project: Income Volatility on Steroids in 2020



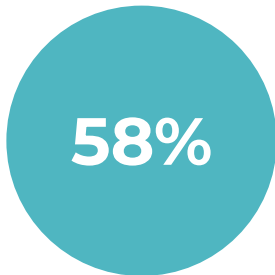
Financial Insecurity: The \$400 Problem

36%

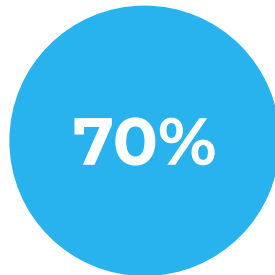
Don't have \$400 in savings for an unexpected emergency



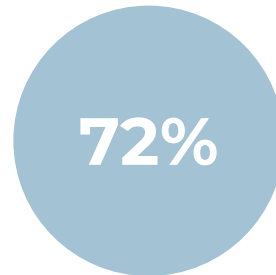
<\$60k



Women <\$60k



Hispanic
households
<\$60k

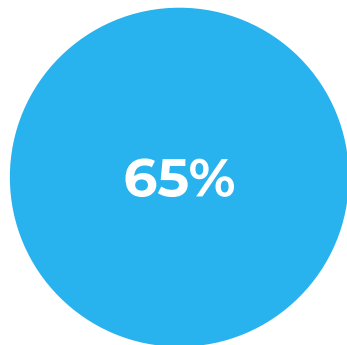


Black
households
<\$60k

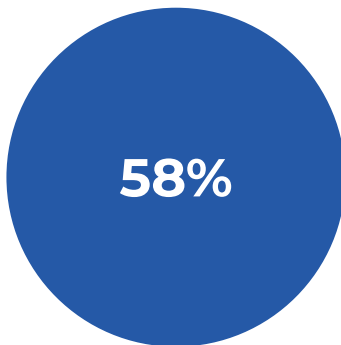
Options for Employers

Majority Agree Institutions Critical to Solutions

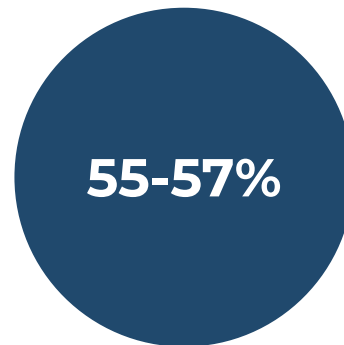
Employers



Financial Institutions



Government



Example Actions



Loans



**Earned Wage
Access**



Cash Grants



**Emergency
Savings**

Financial Swiss Army Knife: Emergency Savings



A Place to Save

- Banks
- Fintechs
- Payroll Tools
- Retirement Providers



In Plain Sight: Retirement System Opportunity

58
million
plan
participants

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UPS to Offer Employees a Way to Save for Emergencies

Shipping giant joins other companies offering rainy day funds in 401(k) plans



UPCOMING EVENTS



Jun

17

2021

12:00 PM - 1:45 PM EDT

WSJ Women In: Intelligent
Investing

Jun

24

2021

11:00 AM - 5:00 PM EDT

Global Food Forum



October 7, 2022

YOUR MONEY ADVISER

More Companies Offer Emergency Savings Option to Workers

Such rainy-day funds may help attract employees. The plans are meant to support consumers who don't have a cash cushion for smaller, unexpected expenses.



Give this article



Autosave for Emergencies



42% of Americans want to be *automatically enrolled* in emergency savings**



14% are open to the idea**



Consumer Financial
Protection Bureau

CFPB CAST template: **Path to Autosave** for innovative employers / providers

buildcommonwealth.org/autosave

*https://www.troweprice.com/content/dam/retirement-plan-services/pdfs/insights/CCON0020242_C8.pdf

** <https://bipartisanpolicy.org/blog/new-bpc-survey-shows-americans-need-better-ways-to-save-for-emergencies/>

Poll

What tools to help address financial insecurity does your organization offer today?

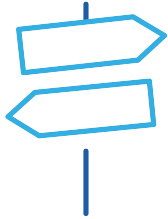
[check all that apply]

- Workplace loans
- Earned wage access
- Hardship grants
- Emergency savings tools
- Other



Framework for Emotional-Financial Well-Being

Nonfinancial Factors for Positive Financial Futures



**A journey
mindset**



**Aspirations &
values are strong
motivators**



**Social networks inspire,
provide key access to
resources & tools**

buildcommonwealth.org/publications/new-framework-for-positive-financial-futures

Financial Security as a Journey

- Agency
- Small Steps
- Adaptability
- Optimism
- Example: Start with Emergency Savings

Values & Aspirations

- Aspiration motivation
- Clear-eyed aspirations
- Example: wealth (401k, ESPP) / children's wealth (529 & CSA Access)




Social Networks / Support

- Seeing is Believing
- Resource Sharing
- Example: Collective Savings

Example Messaging (Before / After)

Unexpected expenses crop up all the time.

Will you have the cash on hand to cover the next one?



Your car breaks down. Your hot water heater springs a leak. Your medical insurance doesn't quite cover the doctor's bill.

Life is full of surprises. And sometimes they cost money. Instead of going into debt, wouldn't it be better to have some ready cash set aside?

We will soon roll out a program to make it easier for our employees to set up a special emergency savings fund.

Details to come!

¹ <https://www.bankrate.com/banking/savings/financial-security-january-2020/>

A recent Bankrate survey found the average unexpected expense Americans faced in the past year was about \$3,500.¹

BUILD YOUR EMERGENCY SAVINGS FUND

Protection for the unexpected



What is an emergency savings fund?

It's a special account separate from your other retirement, bank and savings accounts that is designed to cover the costs of those little surprises life throws at you every once in a while.



How much do I need to save?

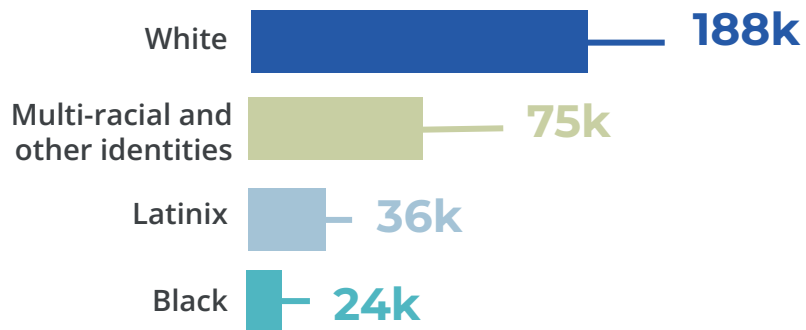
"When the pandemic hit,

Meeting This Moment



Wealth & Race

Median Household Net Worth



Median wealth of white families is:

8x Black families

5x Latinix families

Black families' median and mean wealth is less than 15% that of White families

Role of Public Policy

- **American Rescue Plan Act (ARPA) - \$850B to households**
- **Student Loan Forgiveness**
- **Inflation Reduction Act (RIA)**

www.taxtimehub.org

2020-2022 has created unprecedented need & opportunity for employers

1. Emotional wellbeing depends on financial security
2. Employers can help; prioritize the financial “Swiss Army Knife” (Emergency Savings)
3. Solve for how workers *are* AND how they *feel*

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Work with Commonwealth

Research
Co-design
Innovation & Pilot Testing

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Visit our website: **buildcommonwealth.org/wellbeing2022**

Thank You!

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