Financial Wellness From 401(k) and Beyond
INTRODUCTION AND KEY FINDINGS

Each year, Schwab Retirement Plan Services conducts a 401(k) Participant Survey to better understand the patterns of saving for retirement among American workers. The goal of this report is to help highlight barriers to saving and opportunities for employers to better understand how to help their employees reach financial independence.

Fifty percent of all respondents in this year’s survey said they’re comfortable in their ability to make the right 401(k) investment decisions, which is an increase from last year. That confidence, however, jumps to nearly 80 percent if they had help from a financial professional (also up from last year). Of note, 52 percent of companies offer financial wellness programs, but participation is less than 30 percent.

“We believe the path to financial wellness often starts at work, and we see many companies looking to improve 401(k) participation among their workers,” said Nathan Voris, managing director of business strategy for Schwab Retirement Plan Services, Inc. “Employers play a huge part in helping their employees take ownership of their finances by encouraging them to take an active role, ask questions and ultimately take accountability for their financial future.”

Other key findings from the survey include around participants struggling to spend less and save more all while looking forward to a comfortable retirement. More than half of all respondents said their retirement savings plan will be their largest or only source of income, and more than one-third said that saving enough money for a comfortable retirement is a significant source of stress.
Planning for retirement isn’t always the hottest topic around work, but plenty of employees understand its importance—even if it’s years away. Nearly all the respondents said they’d be using their 401(k) plan to save or invest for retirement (98 percent), followed by money in a savings account (61 percent), investing in an IRA (46 percent) and investing through a brokerage account (33 percent). When asked what their largest source of income would be during retirement, participants said:

- **401(k)** - 62%
- **Savings and investments outside of 401(k)** - 21%
- **Social Security** - 10%
- **Pension** - 6%
- **Other** - 1%

Somewhat surprisingly, 70 percent of respondents said they think their quality of life will be better than their parents’ in retirement. Not as surprising, the same percentage of workers believe their quality of life in retirement will be better than the next generation’s.
Research indicates financial stress negatively affects employee engagement and productivity at work. While a majority of our sample 401(k) population reports that financial stress hasn’t impacted their work, they did still report feeling stressed about the following:

- Saving enough for retirement: 40%
- Paying off credit card debt: 25%
- Keeping up with monthly expenses: 24%
- Job security: 21%
- Saving/paying for children’s education: 17%
- Taking care of aging parents: 17%
- Medical expenses: 15%
- Paying off student loans: 11%
401(k) AND SAVING BEHAVIORS

When looking at participants’ saving habits, we found a mixed bag of results: While a majority of respondents reported increasing their 401(k) contribution in the past two years, they still face many financial barriers to saving. The most common obstacles included:

- **40%** Paying for unexpected expenses like home repairs
- **34%** Unwillingness to sacrifice things that add to quality of life, such as dining out and vacations
- **31%** Paying off credit card debt
- **28%** Needing money to pay basic monthly bills
- **28%** Saving/paying for children’s education
- **27%** Paying for medical bills

Most respondents said that they have money left over at the end of every month, but few of them use it toward investments (21 percent) or 401(k) savings (19 percent).
WORKPLACE BENEFITS

Respondents were asked about benefits as part of the survey. They selected must-haves when looking for a job and offered additional information about their current 401(k) plans.

The top five must-have benefits were:

- **92%** Health insurance
- **88%** 401(k) plan
- **88%** Two or more weeks of vacation or PTO
- **54%** Life insurance
- **52%** Disability insurance

The majority of participants contribute anywhere between 6 percent to 15 percent into their 401(k) plans (52 percent), and fewer than one-quarter contribute the maximum amount allowed (21 percent). When segmenting participants by generation, we found that millennials were more likely than baby boomers or Generation Xers to feel that saving enough for a comfortable retirement is impossible.
Nearly half of all respondents said they didn’t know how much money they would need to save for a comfortable retirement and, across the generations, more than two-thirds said they would like personalized investment advice from a professional.

Specific items employees wanted advice on include:

- **43%** Calculating how much money I need to save for retirement
- **39%** Receiving specific advice on how to invest my 401(k)
- **39%** Determining at what age I can afford to retire
- **36%** Figuring out what my expenses will be in retirement
- **31%** Anticipating tax expenses in retirement
When asked about financial wellness tools or programs they’d be most interested in using, respondents cited:

- 88% Online tool to help me plan for retirement
- 77% Help from a financial professional to develop a financial plan
- 76% Meetings with a financial advisor to make sure I’m on track with my retirement plan
- 75% Webinars about retirement planning
- 71% Webinars about investing strategies
While approximately half of our respondents said they’re very confident in their 401(k) investment decisions, 77 percent would feel very/extremely confident with the help of a financial professional.

Finally, participants said they’d be willing to pay a reasonable fee for financial advice if:

- **43%**  
  It was offered as part of their company’s 401(k) plan and was easily accessible

- **37%**  
  They were charged a fee that was transparent

- **24%**  
  They could access and act on the advice themselves online

- **22%**  
  They could have phone conversations with a financial professional

- **21%**  
  They could have online conversations with a financial professional
CONCLUSION

Our findings indicate that even confident 401(k) investors still want personalized advice from financial professionals, as well as education and planning tools.

“As employers seek to improve 401(k) participation among their employees, we believe they should consider tying it into a financial-wellness program,” Voris said. “Employees are looking for help to understand their finances, make more informed investment decisions and save for retirement, all while maintaining their current lifestyles.”
SOURCES AND DISCLOSURES

1 Schwab Retirement Plan Services, Inc. 401(k) Participant Survey, August 2018. This online survey of U.S. 401(k) participants was conducted by Logica Research (formerly Koski Research) for Schwab Retirement Plan Services, Inc. Logica Research is neither affiliated with, nor employed by, Schwab Retirement Plan Services, Inc. The survey is based on 1,000 interviews and has a 3 percent margin of error at the 95 percent confidence level. Survey respondents worked for companies with at least 25 employees, were current contributors to their 401(k) plans and were 25-70 years old. Survey respondents were not asked to indicate whether they had 401(k) accounts with Schwab Retirement Plan Services, Inc. All data is self-reported by study participants and is not verified or validated. Respondents participated in the study between May 3 and May 16, 2018. Detailed results can be found here.

2 PwC 2018 Employee Financial Wellness Survey, May 2018

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