Beyond Retirement Advice

The need to reinvent financial planning for working Americans

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Financial Engines®

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A. Executive Summary

In recent years, employers have grown increasingly interested in helping their employees improve their financial wellness in areas beyond retirement, such as budgeting, college savings, and insurance. There is growing awareness that employees have difficulty reaching their retirement goals when they are not financially healthy overall. Financial Engines sought to explore this issue by commissioning a nationally-representative survey of full-time workers who actively save in their workplace retirement plan. We examined their use of and desire for comprehensive financial planning services, with a special focus on the experiences of middle-income workers with incomes over $35,000 and less than $100,000.

With the decline in traditional pension coverage nationally over the past 40 years, middle-class workers have lost access to professionally-managed pension plans, yet they do not earn enough money to attract professional advisors to help them, as most financial planning service providers favor serving high net-worth individuals.[1] But the looming retirement security crisis cannot be solved without significant improvements in financial behaviors and retirement savings among middle-class workers, who comprise the bulk of the American workforce. To solve this looming retirement crisis, financial planning must be made more accessible to people of modest means.

For this study, the definition of a comprehensive financial plan is one that includes a plan for retirement savings, and plans for at least three other topics from a list of 11 financial planning topics.[A] This definition was used to categorize respondents into "planners" or "non-planners." People who said they had a formal written financial plan and whose plan met our definition for "comprehensive" are referred to as "planners." Planners include those who created a plan with or without the help of a professional advisor. Those who said they did not have a formal written financial plan are referred to as "non-planners."

[A] The eleven financial planning topics included: general savings, college savings, homeownership, healthcare/long-term care, debt management, budgeting, Social Security, insurance, retirement income, taxes, and estate planning.

Key Findings

1. **Higher-income planners who created their financial plans with professional advice had financial plans that were more comprehensive than those of the professionally-advised middle-income planners.[B]**
For example, higher-income professionally-advised planners were more likely than comparable middle-income planners to have financial plans addressing saving and investing to grow overall assets more (95 percent versus 86 percent), saving for a child's college education (61 percent versus 41 percent), life insurance purchased on their own (83 percent versus 67 percent), and estate plans (77 percent versus 57 percent). Also, both middle- and higher-income planners tended to have financial plans that missed key elements that could help them improve their retirement readiness, such as advice on the adequacy of their retirement savings rate and on maximizing their Social Security benefit.

2. **Participants exhibit strong interest in accessing financial planning help through their employers.**
Over half (57 percent) of all plan participants said they were *extremely* or *very interested* in accessing financial planning help via the workplace. Middle-income planners were more likely than average to be interested in getting such help through their employer—72 percent were very or extremely interested. High-income planners were also quite interested, with 64 percent reporting strong interest.

3. **Over half (53 percent) of those interested in the financial planning service said that having their employer select an advisory service that operates as fiduciary was one of the major advantages of obtaining this service through the workplace.**
Other top advantages cited included: obtaining the service at lower cost than doing it on your own (61 percent) and having a provider who would be familiar with your workplace retirement plan (59 percent). Middle-income planners were more likely than average to cite having the provider vetted by the employer as a major advantage (52 percent versus 44 percent).

[B] We defined as "higher-income" workers with household income of $100,000 and over.

The study also examined what were the most and least common elements of a financial plan. Besides a plan for retirement savings, which was required by definition to be considered a comprehensive financial plan, the most common topics included in the financial plans were:

- saving and investing for overall asset growth (88 percent),
- budgeting (83 percent),
- generating income in retirement (73 percent) and
- minimizing taxes (73 percent).

The topics least likely to be included in comprehensive financial plans were saving/paying for your or a child's college education (46 percent), saving for a home or home improvements (53 percent), and Social Security claiming (59 percent).

This study reinforced findings from many previous studies. For example, Financial Engines found that most active plan participants either do not have a financial plan at all—"non-planners" comprised 50 percent—or they created a comprehensive financial plan on their own (17 percent). Only 23 percent of active plan participants had a comprehensive financial plan created with the help of a professional advisor. Our study found that higher-income plan participants were more likely to have a comprehensive financial plan (48 percent) than middle-income plan participants (37 percent). Workers with comprehensive financial plans ("planners") were more likely than the average plan participant to be male (62 percent) and married (71 percent), while non-planners were less likely to be male (47 percent) and married (55 percent).

Also, similar to previous studies, we found that planners tended to save more of their salary than non-planners, (a median of 10 percent versus 6 percent) and feel better about their retirement futures. For someone who begins with retirement savings of $50,000 and earns a $100,000 salary today, saving 10 percent rather than 6 percent can result in $240,000 (or 26 percent) more in retirement savings over 25 years. This contributes to planners being more than twice as likely as non-planners (63 percent versus 29 percent) to foresee living a comfortable lifestyle in retirement. The benefits of professional advice on financial plans were also clear: compared to planners *without* professional advice, planners *with* professional advice had financial plans that were more comprehensive and had taken more financial planning actions (better adherence to budgets, higher savings rates, more completed estate plans, insurance purchases, and the like).

Implications

As pension plans have faded from the workplace, millions of workers have been left with the prospect of engaging in the complex task of saving and investing appropriately for retirement amidst all of the other financial obligations that come with adulthood. But not enough financial planning help is getting to the people who need it most—middle-income workers. Only 21 percent of this population had a comprehensive financial plan developed with a professional advisor. The vast majority of workers are missing out on the benefits of professional advice on financial planning, such as more robust financial plans, more support to implement their financial plans, higher savings rates, and ultimately more peace of mind about their financial futures. Moreover, the financial planning advice that is now provided to middle-income workers tends to be less comprehensive, as it covers fewer topics than do the financial plans of their higher-income counterparts.

The good news is that the majority of active plan participants are very interested in accessing comprehensive financial planning services through their workplace. Providing these services in the workplace can be a concrete way to help employees improve their overall financial well-being, dovetailing strongly with many employers' existing goals of offering financial well-being programs that go beyond retirement. In addition, having more employees utilize financial planning help will likely improve key retirement plan indicators—such as savings and participation rates—and result in greater retirement readiness in the workforce. Lastly, technology is moving quickly to reinvent financial planning by making these services more scalable and affordable for all people regardless of their level of wealth. Increasing access to comprehensive financial planning services by delivering these services in the workplace can ultimately help more middle-class American workers become prepared for a financially secure future.

B. Introduction

There is growing evidence that employees need financial help that goes beyond retirement savings and investment advice. For example, a 2016 study by PwC found that financial stress is the top source of stress among full-time employees, cited by 45 percent of respondents.[3] The PwC study also found that among employees who are not saving at all towards their retirement, the top reasons for not saving were: too many other expenses (75 percent), and paying off debt (42 percent).[4] Thus, the recent trend among employers to provide resources to help employees on a range of financial matters that go beyond retirement is well-placed.

Before Financial Engines embarked on research exploring the need for comprehensive help on financial issues, we undertook a review of the existing literature on this topic. We found that the subject of comprehensive financial planning has been extensively studied by entities such as the Consumer Federation of America, the Certified Financial Planning Board of Standards, Inc. and by many other industry associations, companies, and academics.[5] These studies have shown that people who engage in comprehensive financial planning are more likely to save at higher rates, have less debt, be better prepared for retirement, and have greater financial security overall compared to people who do not have financial plans. To be sure, these studies are not definitive that comprehensive financial planning is the *cause* of the positive outcomes; for example, people who are more inclined to save money might be those who choose to engage in comprehensive financial planning.

A notable study by Terrance K. Martin Jr., and Michael Finke entitled *A Comparison of Retirement Strategies and Financial Planner Value*, showed that the clients of financial advisors whose plans addressed retirement savings had 50 percent higher retirement savings than those who estimated retirement needs without the help of a planner.[6] This Martin/Finke study pointed to the important role of financial plan quality in leading to positive outcomes for clients.

Other studies have also shown that middle-income workers with modest asset balances have often been overlooked by financial planners who are more willing to serve high net worth Americans. A 2010 study by the Society of Actuaries (SOA) cited a finding by the Financial Planning Association (FPA) that only 11 percent of its members serve clients with a net worth below $250,000. The same study also found that FPA members are providing financial planning services to only about one to two percent of the potential 108 million households in the middle market.[7]

The *Beyond Retirement* study offers further support for the positive role of comprehensive financial planning, and also explores two new angles on this topic:

- how middle-income workers engage with financial planning; and,
- the quality of existing financial plans in terms of the breadth and depth of their plans.

The Beyond Retirement study assesses the quality of financial plans in two ways: by analyzing *breadth* of topics in the comprehensive financial plans; by assessing the *depth* of sub-topics addressed in the plans for workplace retirement savings, and Social Security claiming. We sought to understand if the availability of high-quality financial planning services differed between middle- and higher-income groups. We felt that it was important to study access to high-quality financial planning services specifically among middle-income workers because this group comprises the largest proportion of the American population (50 percent of all Americans).[8] The looming retirement security crisis cannot be solved without significant improvements in the financial behaviors and retirement savings of middle-class workers.

This report reviews to what extent employees use financial plans and professional advisors, as well as their key demographic and behavioral characteristics, and the quality of their comprehensive financial plans. The report analyzes these issues by income group (low-, middle-, and higher-income groups). In addition, the report assesses the interest that plan participants have in obtaining comprehensive financial planning help through the workplace, and what attributes of the potential service they view as major advantages. We also examined the differences between planners and non-planners, and those who created their financial plans with and without the help of a professional advisor.

C. Methodology

1. Survey and Sample Details

Financial Engines commissioned an online survey of full-time employees between the ages of 25 and 65 whose employers offer them a defined-contribution retirement plan, such as a 401(k), 403(b), or 457 plan, and who participate in their employer plan by making salary contributions into their retirement accounts. This survey was fielded between May 23rd and June 2nd, 2016 and gathered information from 1,760 retirement plan participants.

The survey included a mix of respondents who reported having a formal financial plan for their households and those that do not. The survey established quotas by household income to ensure a strong sample of middle-income workers, with household incomes between $35,000 and $100,000.

All screened respondents were weighted by age, gender, and income to reflect the national population of retirement plan participants between ages 25 and 65, according to the Current Population Survey, a product of the United States Census Bureau. Also, the final sample of qualified respondents was weighted again to correct for oversampling of certain quota groups.

This survey was conducted for Financial Engines by Greenwald & Associates who used Research Now's online panel for the sample. Percentages in the tables and charts may not total to 100 due to rounding and/or omitted categories.

2. Definitions of Key Terms

The following are the definitions of key terms used throughout this report:

- **Plan participants (or "participants")**: employees who actively participate in their employer's defined-contribution retirement plan by contributing part of their income into their retirement account. (The survey excluded employees who do not make salary contributions to their retirement accounts.)
- **Comprehensive financial plan**: 1) includes a plan for retirement savings, and 2) includes plans for at least three other topics from a specific list of 11 financial planning topics. The eleven financial planning topics included: general savings, college savings, homeownership, healthcare/long-term care, debt management, budgeting, Social Security, insurance, retirement income, taxes, and estate planning. This definition was used to group respondents into those who had a comprehensive plan or not, for analytical purposes.

- **Professional Advisor**: a financial advisor, attorney, accountant, or other professional who created or helped create a financial plan for the participant.
- **Planners**: Plan participants who responded that they had a formal written financial plan and whose plan met the above definition for a comprehensive financial plan. Planners may or may not have used a professional advisor to develop their comprehensive financial plan.
- **Non-planners**: Plan participants who responded that they did *not* have a formal written financial plan, and whose informal plans (if any) did *not* meet the definition of a comprehensive financial plan.
- **Professionally-advised planners**: Planners who used a professional advisor to create their comprehensive financial plan.
- **Do-it-yourself planners**: Planners who developed their comprehensive financial plan *without* the help of a professional advisor.
- **Middle-income plan participants**: annual household income was greater than or equal to $35,000 and less than $100,000.
- **Higher-income plan participants**: annual household income was $100,000 or over.
- **Low-income plan participants**: annual household income was less than $35,000.

This study focuses on comparisons between planners and non-planners, middle-income and higher-income plan participants, and those who developed their financial plans with and without the help of a professional advisor. This study did *not* analyze in detail the following sub-groups, primarily due to the small sample sizes of these groups:

- **Non-comprehensive planners**: This small sub-group (6 percent of plan participants) said they had a formal written financial plan, but their financial plan did *not meet the required definition of a comprehensive* financial plan.
- **Informal comprehensive planners**: This small sub-group (4 percent of plan participants) responded that they did *not have a formal written financial plan*, but their answers showed that their informal financial plans *did* meet the definition for a comprehensive financial plan.
- **Low-income plan participant**: This small sub-group (8 percent of active plan participants) included people earning less than $35,000 per year and who actively save in an employer-sponsored plan. Low-income workers are less likely than higher-income workers to have access to an employer-sponsored defined-contribution plan and also less likely to have a financial plan, leading to the small sample size.

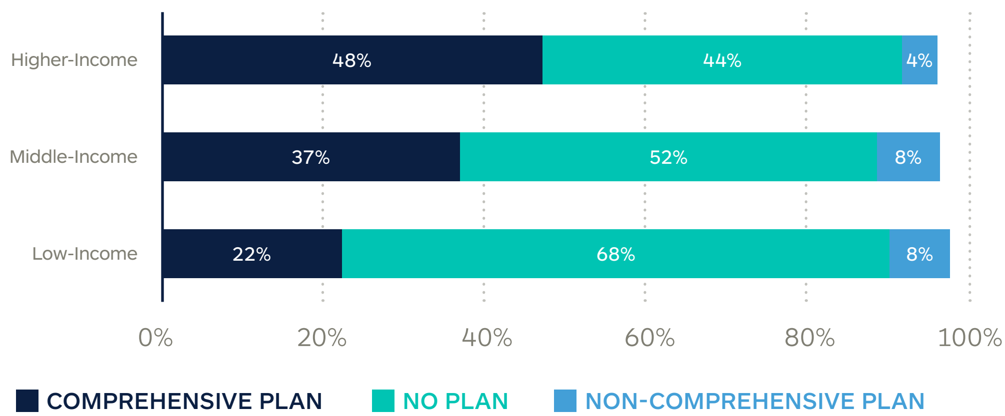
D. Findings

Experiences of Middle-Income Employees with Comprehensive Financial Planning

1. Prevalence of Comprehensive Financial Plans

Middle-income plan participants were less likely to have a comprehensive financial plan than were higher-income plan participants: 37 percent of middle-income participants had a comprehensive financial plan, compared to 48 percent of higher-income plan participants. Only 22 percent of low-income participants have a comprehensive financial plan. In addition, 21 percent of middle income plan participants and 29 percent of higher-income plan participants had financial plans that they created with a professional advisor.

Figure 1. Percent with a comprehensive financial plan, no plan, or a non-comprehensive plan



2. Profile

Middle-income planners closely resembled the overall population of plan participants with 56 percent male, 44 percent female, and 61 percent married. By comparison, higher-income planners were more likely to be male (69 percent) and married (85 percent). Conversely, middle-income non-planners were more likely than average to be female (54 percent) and single (29 percent). Among higher-income non-planners 49 percent were women, and only 5 percent were single, never-married.

Middle-income and higher-income planners each reported saving a median of 10 percent of their salaries towards retirement; much more than the 6 percent saved by comparable non-planners.[c] Besides saving a larger proportion of their salary toward retirement, the planners in both income categories were also more likely to maximize their employer match. Among both income groups, planners were more likely than non-planners to strictly adhere to their budgets.

Millennials are more likely to be represented among middle-income planners and less likely to be represented among the higher-income groups.

Figure 2. Characteristics of planners and non-planners by income group*

	All Active Plan Participants	Middle-Income Household $35,000–$99,999		Higher-Income Household $100,000 and Above	
		Comprehensive Plan	No Plan	Comprehensive Plan	No Plan
Male	55%	56%	46%	69%	51%
Female	45%	44%	54%	31%	49%
Millennials (Age 25–34)	21%	26%	21%	16%	14%
Generation X (Age 35–50)	46%	41%	46%	48%	48%
Baby Boomer (Age 51–65)	33%	33%	33%	36%	38%
Married	61%	61%	50%	85%	77%
Single, never married	20%	22%	29%	8%	5%
Percent of income saved toward retirement (Median)	8%	10%	6%	10%	6%
Percent maximizing employer match	84%	90%	76%	93%	86%
Percent adhering strictly to their budget, among participants with a budget	64%	73%	57%	70%	52%

*The sample size for low-income plan participants was too small to analyze by the sub-categories above.

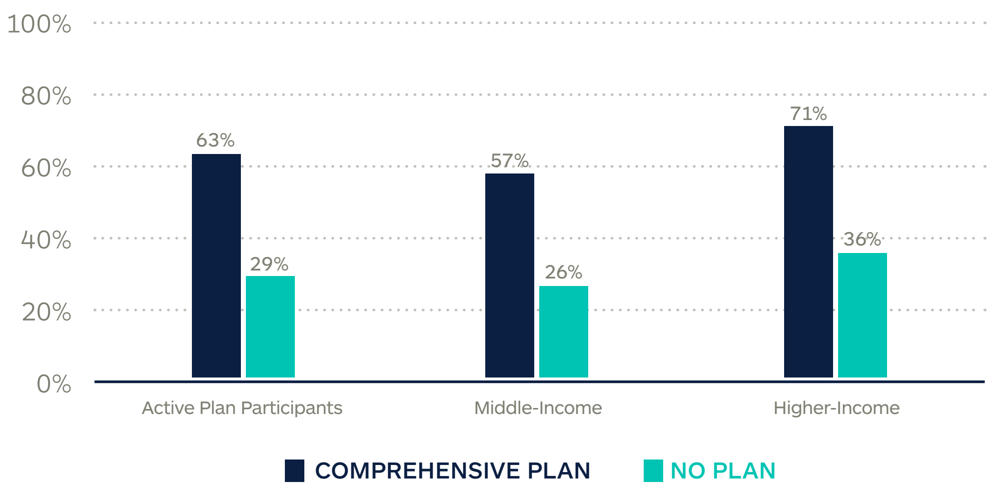
[c] This study only surveyed plan participants who reported that they actively contribute a part of their income to their employer-sponsored retirement plan. Employees who elect not to contribute to their retirement plan were not included in the survey. Thus, the savings rate and match maximization rate reported here may appear higher to some readers who are accustomed to seeing data the includes non-contributors in these calculations.

3. Results

Both middle- and higher-income planners were much more likely than non-planners to say they agree they "will be able to live a comfortable lifestyle in retirement." For example, 57 percent of middle-income planners compared to only 26 percent of their non-planner counterparts said they agree that they will be able to live a comfortable lifestyle in retirement.

Given that they have more income available to save, it is not surprising that higher-income planners were more likely to agree (71 percent) that they will have a comfortable lifestyle in retirement than middle-income planners (57 percent). Yet, the middle-income *planners* were more likely than higher-income *non-planners*—57 percent compared to 36 percent—to anticipate a comfortable retirement. This example highlights the potential power of comprehensive financial planning.

Figure 3. Percent who agree that they will be able to live a comfortable lifestyle in retirement, by income group



4. Financial Plan Quality

We explored financial plan quality two ways by analyzing: a) the *breadth* of the topics addressed by the comprehensive financial plan; b) the *depth* of financial plans for workplace retirement savings and Social Security claiming. While professional advice makes a positive impact on many factors overall, there were differences in the quality of the financial advice provided to higher-income versus middle-income planners.

> **a) Breadth of Financial Plans: Higher-income professionally-advised planners had financial plans that were more comprehensive than those of the comparable middle-income planners.**

For example, higher-income professionally-advised planners were more likely than comparable middle-income planners to have financial plans addressing saving and investing to grow overall assets more (95 percent versus 86 percent), saving for a child's college education (61 percent versus 41 percent), life insurance (83 percent versus 67 percent), and estate plans (77 percent versus 57 percent).

Figure 4. Proportion of professionally-advised planners, by income group, whose financial plans included the following topics

b) Depth of Financial Plans: Specific plans to maximize the benefits of both workplace retirement savings and Social Security were surprisingly deficient for both income groups studied. Large proportions of planners had financial plans that did not address such important topics as the adequacy of their savings rate to reach their retirement goals (48 percent), strategies to maximize Social Security (67 percent) or how they should allocate their investments in their workplace retirement plans (60 percent). These findings indicate that the plans for two critical topics—workplace retirement savings and Social Security—tend to be sub-optimal, with long-term repercussions to retirement readiness.

To determine the depth of plans for each issue, this study analyzed the specific sub-issues addressed in their plans for workplace retirement savings and for Social Security, since these two issues form the key pillars of retirement security in America. For example, did each person's plan address strategies to maximize Social Security benefits? Did their plans for their workplace retirement savings address the adequacy of their savings rate to achieve their retirement goal? The responses revealed that both do-it-yourself planners and professionally-advised planners had plans that frequently did not address many critical issues.

QUALITY/DEPTH OF PLANS FOR THEIR WORKPLACE RETIREMENT SAVINGS:
Even among planners who used professional help to create their financial plans, many reported critical issues were left unaddressed. For example, over half (53 percent) of middle-income and four in ten (42 percent) higher-income professionally-advised planners said their plans do not include an evaluation of the adequacy of their savings rate to reach their goal.

In addition, 60 percent of middle-income professionally-advised planners and 53 percent of higher-income professionally-advised planners said their financial plan did *not* address what investments to select from their retirement plan options. To industry insiders this may not be a suprising finding: that professional advisors often do not provide advice on workplace retirement investments because the advisor typically does not earn money on assets while the assets are inside of the workplace retirement plan. In addition, many professional advisors may not be familiar with the details of their clients' workplace plans, limiting their ability to offer advice on investment selections. Never-the-less, it is the clients who suffer with the long-term negative consequences of not receiving professional advice on such basics as investment selections and savings rate adequacy.

Other indications that advice currently provided by many professional advisors often does not address areas critical to retirement success include:

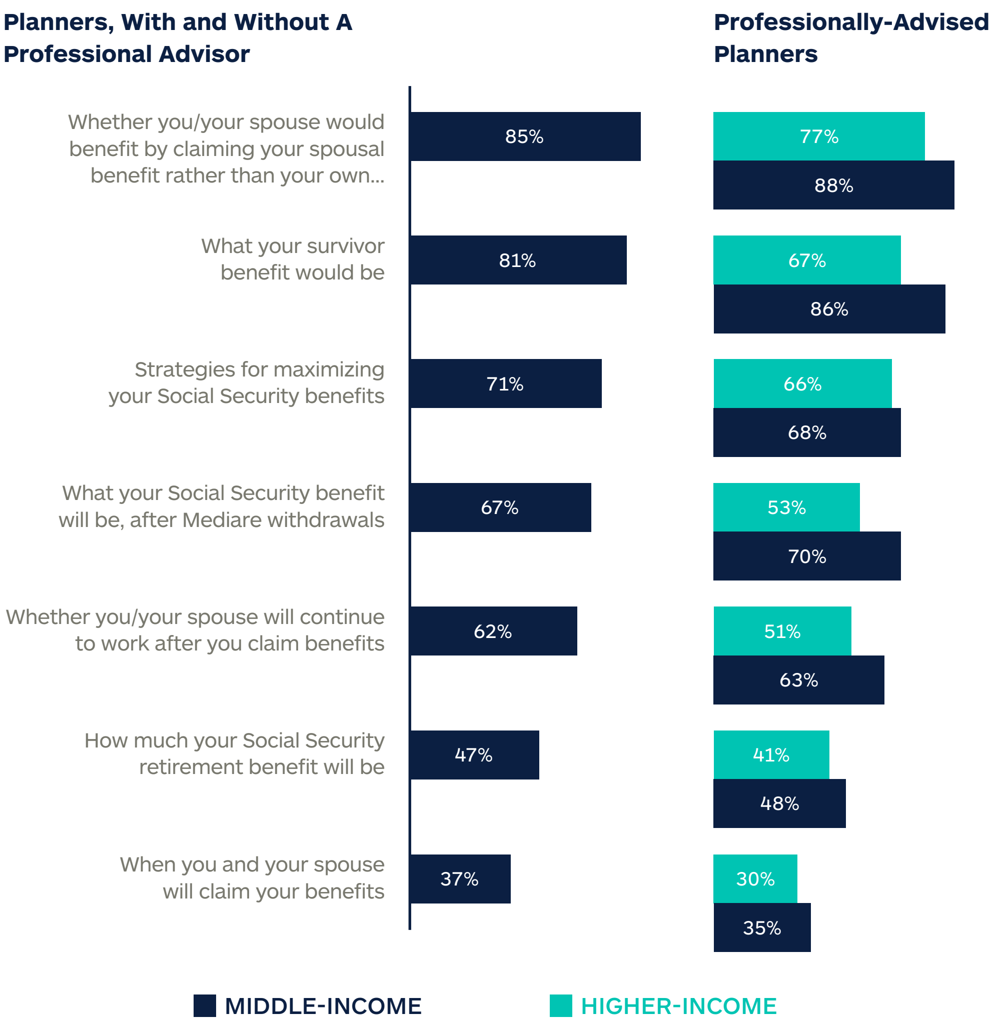
- almost half (48 percent) of middle-income professionally-advised planners and 34 percent of their higher-income counterparts reported that their plan did *not* include expected retirement income based on current plan savings. The middle-income group was significantly more likely than the higher-income group to not have a retirement income forecast.
- a similarly high proportion of higher-income (59 percent) and middle-income (65 percent) professionally-advised planners have retirement plans that are *not* tailored to their risk tolerance.

Figure 5. Percent whose financial plan does NOT address the following issues related to their workplace retirement plan

QUALITY OF SOCIAL SECURITY PLANS: Plans for claiming Social Security, tended to lack many important elements that could help workers maximize this critical source of retirement income. Sixty-five percent of middle-income professionally-advised planners, whose plan included Social Security, have plans addressing *when* they will begin claiming Social Security benefits; however, most appear to be making this decision with minimal knowledge of the impact of this decision on their benefits. Almost half (48 percent) of middle-income professionally-advised planners said their plans did *not* address what their Social Security retirement benefit would be. Middle-income professionally-advised planners were more likely than their higher-income counterparts to have a plan that did *not* include strategies to maximize their Social Security benefit (70 percent versus 53 percent).

Areas of particular weakness for both income groups related to spousal and survivor benefits.

Figure 6. Percent whose financial plan does NOT ADDRESS the following Social Security claiming issue



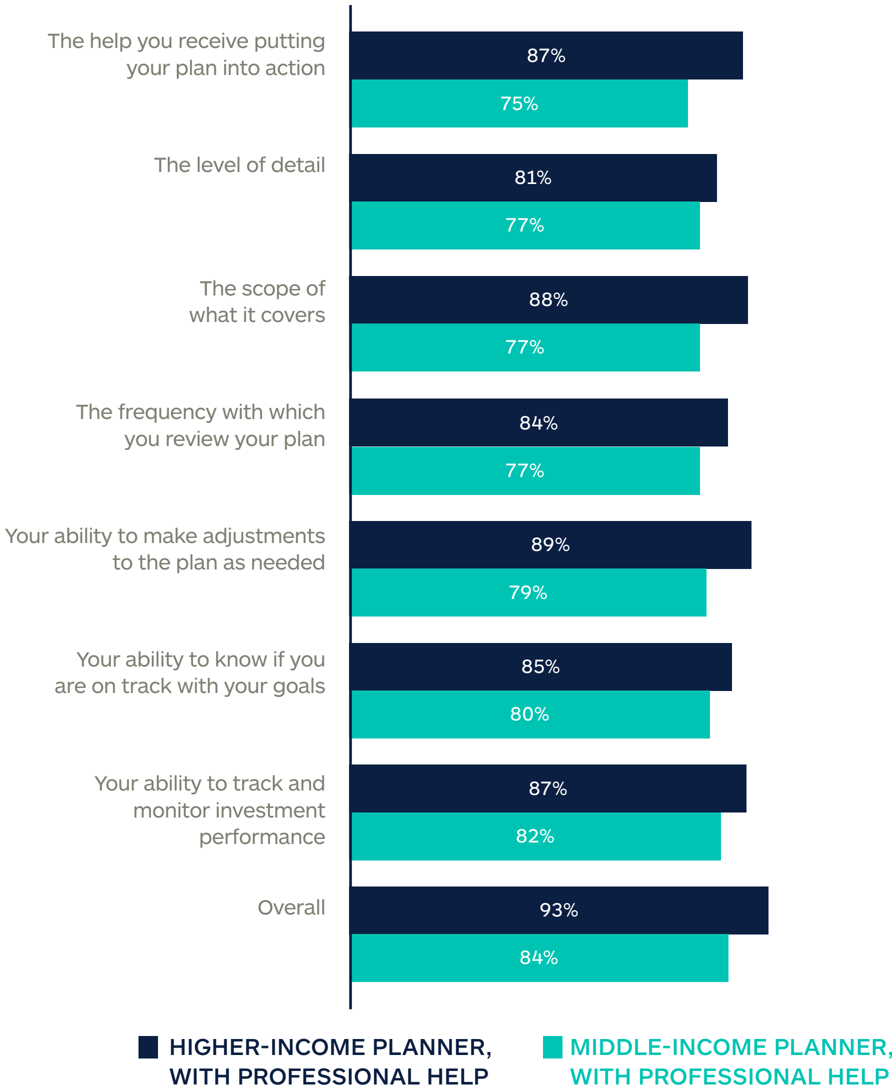
5. Satisfaction with Professional Advisor

Overall, satisfication with financial plans was high, though higher-income professionally-advised planners tended to report higher satisfaction with their financial plans than their middle-income counterparts. For example, 87 percent of higher-income professionally-advised planners reported being satisfied with the help they receive in putting their plan into action versus 75 percent of middle-income professionally-advised planners.

Higher-income professionally-advised planners had greater satisfaction levels than their middle-income counterparts on many of the aspects of their financial plan such as its scope, their ability to make adjustments to their plan and the help they receive with implementing their plan. Notwithstanding the shortcomings of the financial plans described in the previous section of this report, people who were professionally-advised on their financial plans tended to have high satisfaction with their plans.

Professionally-advised planners were more satisfied with their financial plan overall than the do-it-yourself planners—89 percent versus 75 percent. Do-it-yourself planners, who were middle-income, had relatively low satisfaction with the help they receive with implementing their plan (62 percent satisfied), and the level of detail of their plan (65 percent satisfied).

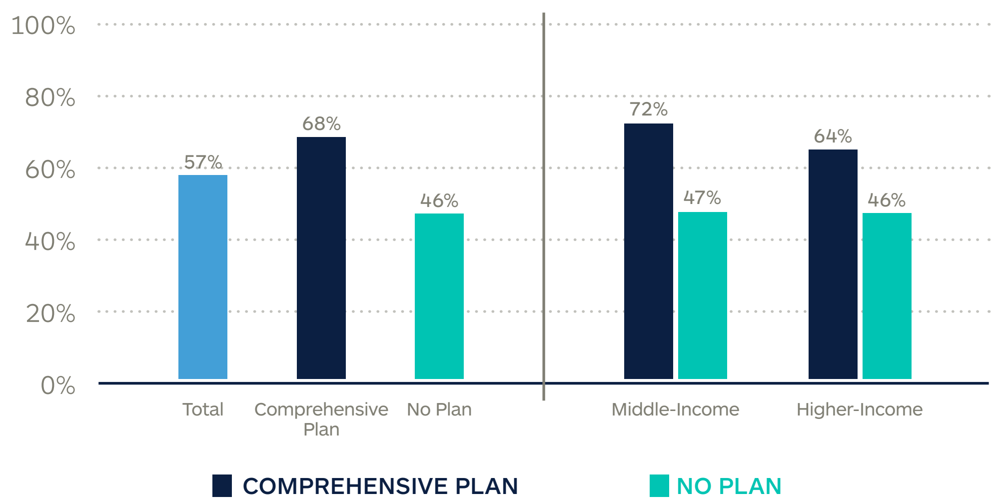
Figure 7. Percent of professionally-advised planners who are very or somewhat satisfied with the following aspects of their comprehensive financial plan (selected 4-5 on a satisfaction scale of 1 to 5).



6. Interest in Accessing Comprehensive Financial Planning Help Through the Workplace

Over half (57 percent) of all plan participants said they were "extremely or very interested" in accessing financial planning help via the workplace. Middle-income planners were more likely than average to express such strong interest in accessing financial planning help through their their employer—72 percent were "very or extremely" interested in this service. High income planners were also quite interested, with 64 percent reporting strong interest.

Figure 8. Percent "very or extremely" interested in accessing financial planning help through the workplace



7. Advantages of Accessing Comprehensive Financial Planning Services Through Their Employer

Over half (53 percent) of those interested in accessing financial planning services through the workplace said that having their employer select an advisory service that acts as a fiduciary was one of the major advantages of obtaining this service through the workplace. Many employees appear to be aware of the importance of working with a financial planning service that operates as a fiduciary, meaning it is legally accountable for putting their clients' best interests first.

Many retail financial advisors receive compensation through commissions for referrals to other service providers, such as attorneys, insurance or investment companies, and commissions for selling proprietary products, posing potential conflicts of interest. Given this backdrop, it is notable that over half of plan participants interested in accessing financial planning services in the workplace view their employer connecting them to a financial planning service that operates as a fiduciary as a major advantage.

Other top advantages cited included:

- obtaining the service at lower cost than doing it on your own (61 percent); and,
- having a provider who would be familiar with your workplace retirement plan (59 percent).

Middle-income planners were more likely than average to cite "having the provider vetted by the employer" as a major advantage (52 percent versus 44 percent) and "the service would be for people like you, not just executives" (59 percent versus 50 percent). And middle-income professionally-advised planners were even more likely than average to cite these two elements as major advantages (58 percent and 64 percent, respectively).

Figure 9. Percent who cited the following statements as a major advantage of accessing financial planning help through the workplace (Universe: those who expressed interest in financial planning help through the workplace)

	Total	Middle-Income Planner	Middle-Income Planner, with Professional Help
It would cost less than doing it on your own	61%	64%	60%
The provider would be familiar with your employer's retirement plan...	59%	63%	65%
Your employer would select a service/advisor that is a fiduciary	53%	58%	58%
You don't have to research and find a financial advisor/service on your...	52%	53%	53%
You would have help putting your financial plan into action	51%	58%	60%
The service would be for employees like you and not just for executives	50%	59%	64%
The providers have already been vetted by your employer	44%	52%	58%

E. Conclusion and Implications

As pension plans have faded from the private-sector workplace, millions of workers are now responsible for saving and investing their retirement assets and handling a myriad of the other financial obligations such as saving for a child's college education or saving for healthcare expenses after retirement. As a result, there is an increasing need for professional advice on a range of financial planning topics, which is too often not provided to the people who need it most—today's middle-income workers.

Our study found, like many previous studies, that compared to not planning, engaging in comprehensive financial planning is associated with better financial outcomes such as a higher savings rate and more peace of mind about having a comfortable lifestyle in retirement. And, the Beyond Retirement study also found that using a professional advisor makes a positive difference, especially in creating and implementing a more comprehensive and sophisticated financial plan, compared to taking a "go it alone" approach.

Given all the benefits of engaging in comprehensive financial planning, it is unfortunate that only 23 percent of this population had a comprehensive financial plan that was developed with a professional advisor. Previous studies have shown that financial planning service providers often choose to serve people with higher asset balances. Moreover, the financial planning advice that is provided to middle-income workers tended to cover fewer topics than the financial advice provided to higher-income workers. And all income groups tended to have sub-optimal advice when it came to plans for their workplace retirement savings and Social Security, two very critical sources of retirement income.

Fortunately, the study also revealed that over half (57 percent) of all plan participants are very or extremely interested in accessing comprehensive financial planning advisory services through their employer, and middle-income planners (72 percent) were more likely than average to be interested in getting such help through their employer. Over half (53 percent) of those interested in the financial planning service said that having their employer select an advisor who operates as a fiduciary was one of the major advantages of obtaining this service through the workplace. Other top advantages cited included: obtaining the service at lower cost than doing it on your own (61 percent); and, having a provider who would be familiar with your workplace retirement plan (59 percent).

The trend among employers to consider financial wellness programs that go beyond retirement is well placed. American workers need such help to address the myriad of financial issues and goals they have. Allowing comprehensive financial planning services to be delivered through the workplace may encourage more employees to engage in financial planning and thereby improve their likelihood of meeting their financial goals. Moreover, employers who offer such a service may see improvements in key retirement plan indicators, such as a higher savings rate, more employees maximizing their match, and more participation overall. In addition, technology is quickly moving to create tools that integrate and track progress on a comprehensive set of financial goals, which can make it more feasible to provide high-quality service to Americans of modest means. Furthermore, the employer may be better equipped than each individual employee to ensure the service providers deliver high-quality advice to all employees, regardless of their wealth. Lastly, these services should be provided by a financial advisory service that operates as a fiduciary, so that employees' interests are placed first.

Making high-quality comprehensive financial planning services available in the workplace can ultimately help more American workers on their journey towards greater financial security.

Appendix

Experiences of Plan Participants with Comprehensive Financial Planning

This study reinforced findings from many previous studies. For example, Financial Engines found that most active plan participants either do not have a financial plan at all or they created a comprehensive financial plan on their own. Only 23 percent of active plan participants had a comprehensive financial plan created with the help of a professional advisor.[D] Workers with comprehensive financial plans ("planners") were more likely than the average plan participant to be male (62 percent) and married (71 percent), while non-planners were less likely than average to be male (47 percent) and also less likely to be married (55 percent).

1. Prevalence of Comprehensive Financial Plans

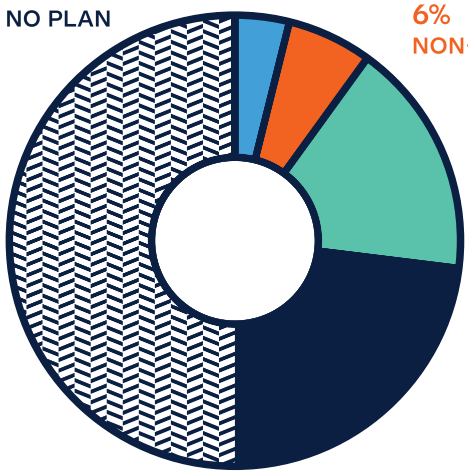
Among all plan participants, only 23 percent had a comprehensive financial plan that they developed with the help of a professional advisor, while 17 percent created their comprehensive plan *without* a professional advisor. Half of plan participants do not have a financial plan.

Among all plan participants, 40 percent were planners—meaning they had a formal written comprehensive financial plan—and 50 percent were non-planners, meaning they did not have a formal written plan, and their informal plans, if any, were not comprehensive.

Another six percent of respondents reported having a formal written financial plan, but it failed the definition for a comprehensive financial plan ("non-comprehensive plan"). Lastly, four percent responded that they did *not* have a formal written financial plan, but their answers to subsequent survey questions showed that their "informal" plans in fact met the definition of a comprehensive financial plan ("informal comprehensive plan").

[D] We defined a "comprehensive financial plan" as including: 1) a plan for retirement savings, and 2) plans for at least three other topics from a list of 11 financial planning topics (general savings, college savings, homeownership, healthcare/long-term care, debt management, budgeting, Social Security, insurance, retirement income, taxes, and estate planning).

Figure 10. Plan participants, by status of financial plan



2. Profile

Planners are more likely than average to be male (62 percent), married (71 percent), and tended to save more of their income toward their retirement than non-planners (median of 10 percent versus 6 percent).

It is important to note that the population of workers who have access to a workplace retirement plan and who actively save are quite likely to be male (55 percent) and married (61 percent) in the first place. Still, planners are even more likely than the average active plan participant to be male (62 percent) and married (71 percent). Conversely, non-planners were less likely than average to be male (47 percent) and married (55 percent) and more likely to be female (53 percent). Planners also save more for retirement (a median of 10 percent of their salary) and more than nine out of ten (91 percent) reported maximizing their company retirement savings match. By comparison, the non-planners saved a median of only 6 percent of their income and just 78 percent maximize their company match.[10]

Professionally-advised planners tend to be older, with 39 percent from the Baby Boomer generation, while the do-it-yourself planners tend to be younger, with 27 percent from the Millennial generation (age 25 to 34).

Professionally-advised planners were *less* likely than average to have household incomes falling in the middle-income range range: 47 percent of professionally-advised planners had household incomes between $35,000 to $99,999 versus 53 percent of all plan participants.

Figure 11. Characteristics of planners and non-planners

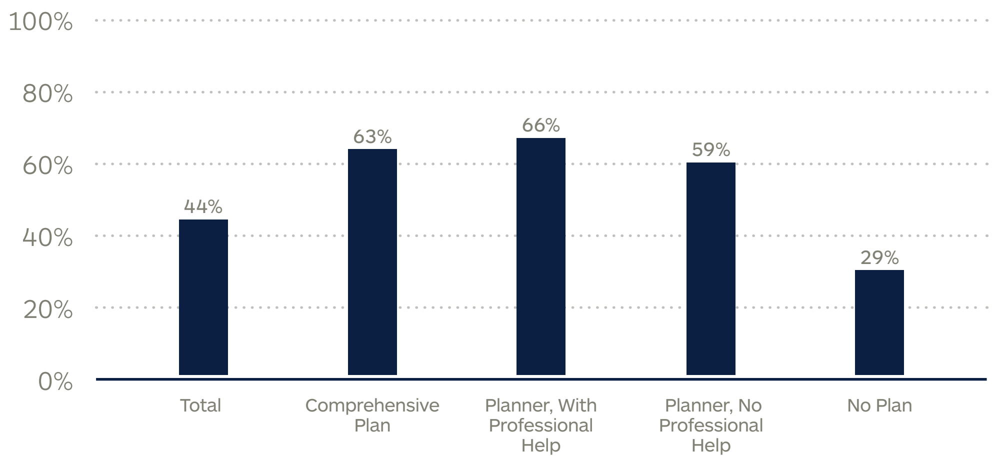
		Planners (Have Comprehensive Financial Plan)			Non-Planners
	All Active Plan Participants	Compre-hensive Plan (All)	With Professional Advisor	No Professional Advisor	No Financial Plan*
Male	55%	62%	62%	63%	47%
Female	45%	38%	38%	37%	53%
Millennials (age 25–34)	21%	22%	18%	27%	20%
Generation X (age 35–50)	46%	44%	43%	46%	47%
Baby Boomer (age 51–65)	33%	34%	39%	26%	34%
Married	61%	71%	75%	65%	55%
Single, never married	20%	17%	15%	19%	23%
Percent of income saved toward retirement (Median)	8%	10%	10%	9%	6%
Maximized employer match	84%	91%	91%	91%	78%
Household earnings between $35,000 to $100,000 per year	53%	49%	47%	51%	55%
Household earnings between $50,000 to $75,000 per year	22%	17%	15%	20%	25%

*No formal written financial plan and informal plan fails comprehensive plan definition.

3. Results

Planners are also more apt than non-planners to foresee living a comfortable lifestyle in retirement (63 percent versus 29 percent).

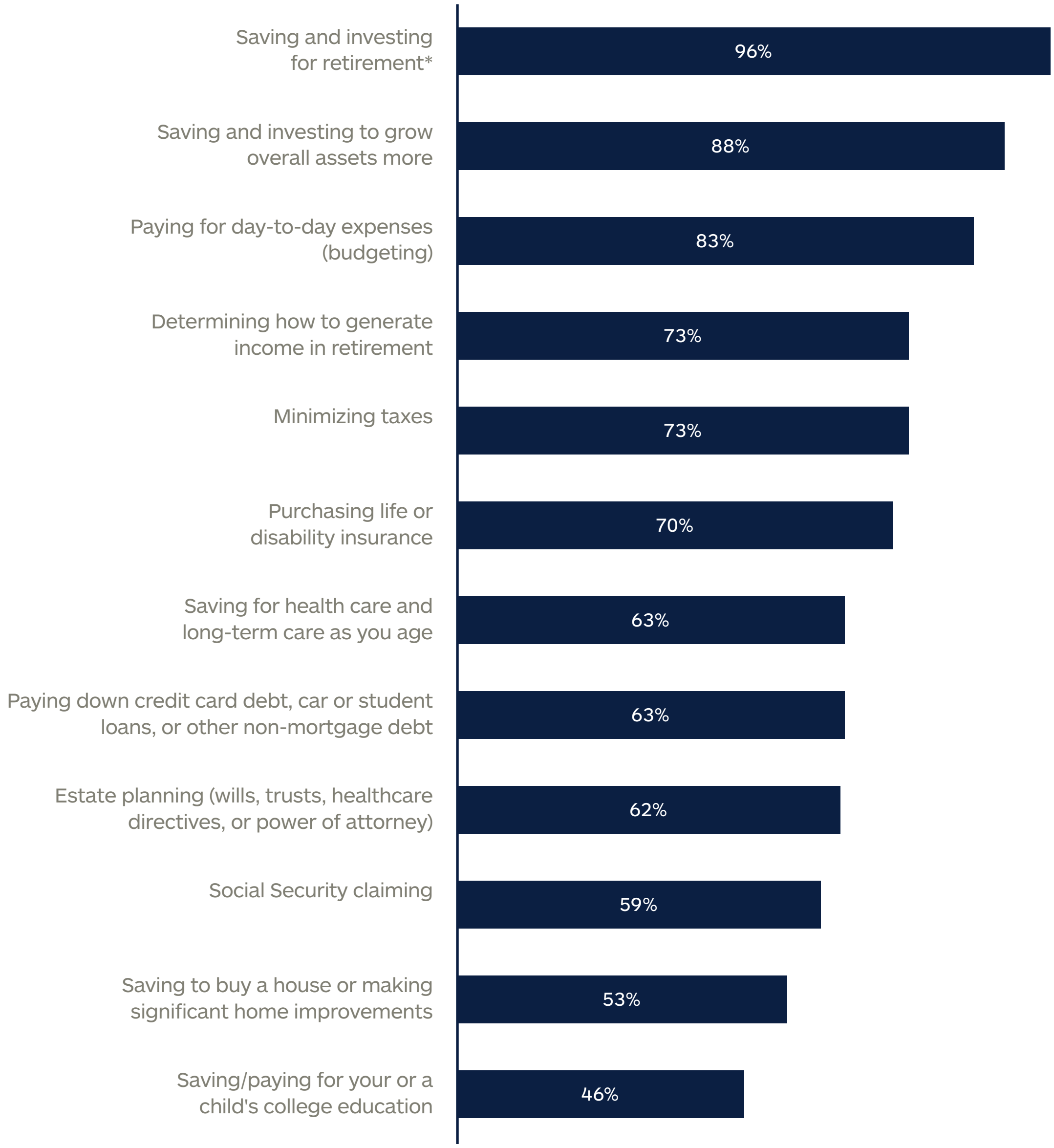
Figure 12. Characteristics of planners and non-planners



4. Comprehensive Financial Plan Topics

Besides a plan for retirement savings, which was required as part of the definition to be considered a comprehensive financial plan, the most common topics included in the financial plans were saving and investing for overall asset growth (88 percent), budgeting (83 percent), generating income in retirement (73 percent), and minimizing taxes (73 percent). The least common topics included in comprehensive financial plans were saving/paying for your or a child's college education (46 percent), saving for a home or home improvements (53 percent), and Social Security claiming (59 percent).

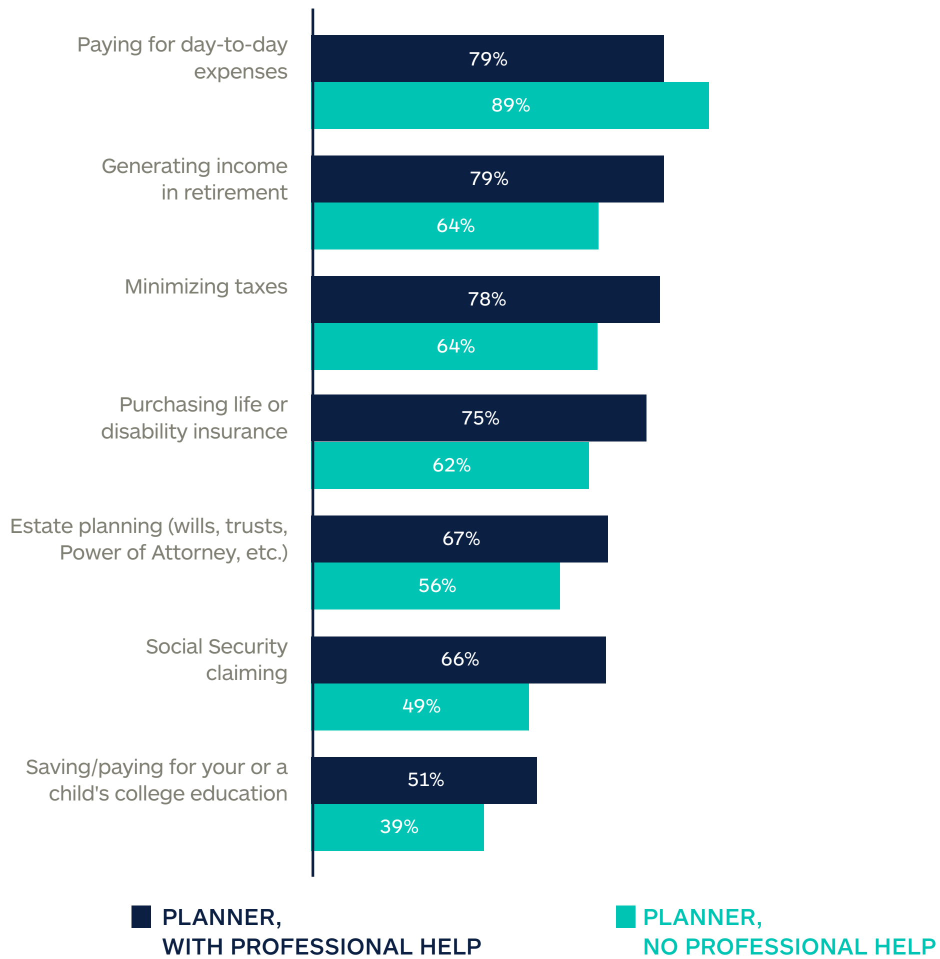
Figure 13. Proportion of planners whose comprehensive financial plan addresses the following topics



*The retirement topic was required to meet the definition of a comprehensive financial plan. Thus, all respondents who were categorized as "planners" included the retirement topic in their comprehensive financial plan. Among people who said their *formal* comprehensive plan does not cover retirement savings, 4 percent said they have some other type of plan that does.

Professionally-advised planners had comprehensive plans that tended to be more comprehensive, in that they addressed more financial topics, than those of do-it-yourself planners. For example, 79 percent of professionally-advised planners addressed generating income in retirement versus 64 percent of the do-it-yourself planners. The professionally-advised planners were also more like to have addressed tax minimization, purchasing life or disability insurance, and saving for a child's college education. The main exception, was the budgeting topic of paying for day-to-day expenses—do-it-yourself planners were more likely than professionally-advised planners to have included this topic in their comprehensive financial plans.

Figure 14. Proportion of planners, with and without professional help, whose financial plans included the following topics



5. Actions Taken to Implement Plans

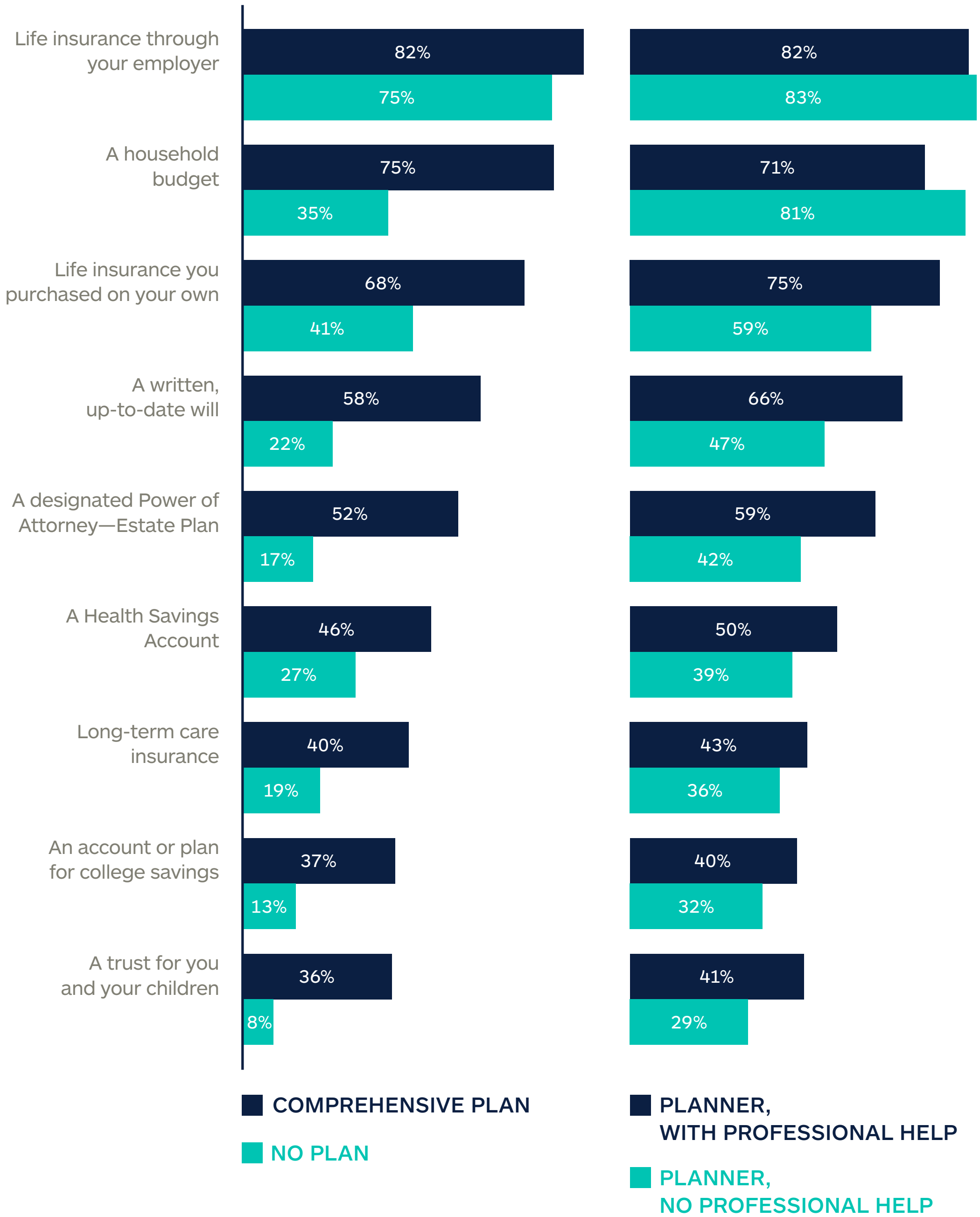
Professionally-advised planners tended to be more likely to have taken important financial planning actions compared to do-it-yourself planners.

Participants with a comprehensive plan are much more likely than non-planners to have taken actions on financial planning items, such as keeping an up-to-date will or having a household budget. Also, professionally-advised planners were more likely to have acted on their financial plans compared to the do-it-yourself planners on a range issues by having trusts, wills, health savings accounts, and life insurance. The main exception was for completing a household budget, in this case the do-it-yourself planners were more likely to have a household budget than professionally-advised planners.

Life insurance provided through the employer differed from the pattern: a similarly high proportion of all of the groups reported having this item, regardless of whether or not they had a financial plan or an advisor. The reason is most likely because it is a benefit that employees typically receive by default.

Both middle-income and higher-income planners with professional advisors tended to be more likely to have put their financial plans into actions than their do-it-yourself planner counterparts, and the average plan participant.

Figure 15. Among all plan participants, percent who have acted on their financial plans



Endnotes

[1] Dan Iannicola, Jr., Jonas Parker, Ph.D., The Financial Literacy Group, *Barriers to Financial Advice for Non-Affluent Consumers* (Washington DC: Society of Actuaries, 2010) http://docplayer.net/1449992-Barriers-to-financial-advice-for-non-affluent-consumers.html.

[2] *2016 Hot Topics in Retirement and Financial Well-Being*, (Chicago: Aon Hewitt, 2015) http://www.aon.com/attachments/human-capital-consulting/2016-hot-topics-retirement-financial-wellbeing-report.pdf

[3] 2016 Employee Financial Wellness Survey, (PwC: 2016) http://www.pwc.com/us/en/private-company-services/publications/financial-well-being-retirement-survey.html

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[6] Terrance K. Martin Jr., and Michael Finke, *A Comparison of Retirement Strategies and Financial Planner Value*, (Journal of Financial Planning, 2012) https://www.onefpa.org/journal/Pages/NOV14-A-Comparison-of-Retirement-Strategies-and-Financial-Planner-Value.aspx

[7] Dan Iannicola, Jr., Jonas Parker, Ph.D., The Financial Literacy Group, *Barriers to Financial Advice for Non-Affluent Consumers*.

[8] *The American Middle Class Is Losing Ground*, (Washington DC: Pew Research Center, 2015) http://www.pewsocialtrends.org/2015/12/09/the-american-middle-class-is-losing-ground/

[9] Dan Iannicola, Jr., Jonas Parker, Ph.D., The Financial Literacy Group, *Barriers to Financial Advice for Non-Affluent Consumers*.

[10] A previous study by Financial Engines, entitled "Missing Out," analyzed actual retirement account data for 4.4 million employees, and found that among employees who used Financial Engines' advisory services, 85 percent maximized their match, and among employees who did not use advisory services, 74 percent maximized their match. The numbers in the Beyond Retirement Advice survey are based on information reported by survey respondents and shows 91 percent of planners and 78 percent of non-planners reported maximizing their match. One reason for the different match maximization numbers is that the samples in these two studies differed. For example, the Missing Out study *included* participants who did *not* save in their retirement plan, while the current study *excluded* these non-savers. In addition, the Missing Out study was based on the experiences of the employees of Financial Engines' corporate customers while the current survey is based on a nationally representative sample of plan participants. For more information about match maximization, please see: *Missing out: How much employer 401(k) matching contributions do employees leave on the table?* (Sunnyvale, CA: Financial Engines, 2015) https://corp.financialengines.com/docs/Financial-Engines-401k-Match-Report-050615.pdf

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