Reflections

▪ What was your financial life like at:
  ▪ 18?
  ▪ 25?
  ▪ 30?

▪ What lessons about personal finance did you learn?

▪ How did you learn them?
Creating Opportunities for Young Workers to Thrive

Pamela Chan, CFED

C2ER Annual Conference – June 15, 2017
In this presentation, we will...

1. Learn what financial issues young, low- and moderate-income (LMI) workers are grappling with today

2. Explore ways employers can support the financial wellness of their young, LMI employees

3. Identify where to learn more about workplace-based financial wellness services
About CFED*

CFED’s work builds pathways for people to achieve financial security and expand economic opportunity.

Our approach:

- Scale innovative practical solutions that empower low- and moderate-income people to build wealth.
- Drive responsive policy change at all levels of government.
- Support the efforts of community leaders across the country to advance economic opportunity for all.

*New organizational name coming on June 19!
Financial Security at Work

CFED’s portfolio of projects looking at how the workplace can be a pathway for building financial wellness among LMI workers.

- Foundational research*
  - Background review of existing publications and services
  - Research study to understand the perspectives of young, LMI workers

- Financial wellness services directory & resources**
  [coming Fall 2017]

- Advisory group of Human Resources and Workplace-Based Financial Wellness experts

*Made possible with a grant from Prudential Foundation.
**Made possible with a grant from JPMorgan Chase & Co.
Study Report

Available at: http://cfed.org/knowledge_center/resource_directory/

Search Resource Name: “Beyond the Next Paycheck”
Study Overview: Interviews with Young Workers

49 Young, LMI Workers Interviewed in 4 Cities

- **Type of Employer**
  - Private, for-profit: 84%
  - Private, not-for-profit: 10%
  - Local Government: 4%
  - State Government: 0%
  - Federal Government: 2%

- **Full-Time/Part-Time**
  - Full-time: 47%
  - Part-time: 53%

- **How Paid**
  - Hourly Wage: 84%
  - Salary: 14%
  - Other: 2%

- **Total Income**
  - Average: $20,421
  - Median: $18,401

- **Industry**
  - Retail: 33%
  - Healthcare/Hospital: 16%
  - Security: 4%
  - Restaurant/Bar: 12%
  - Telecommunication: 4%
What's going on in the financial lives of young, LMI workers?
Today’s young adult less financially well off than their parents were at the same age.¹

From Young Invincibles

- **Millennials earn $10,000 less** than Baby Boomers at the same age.
- **Millennials hold half the amount in assets** than Baby Boomers at the same age.
- **Millennials have half the net worth** of Baby Boomers at the same age.

<table>
<thead>
<tr>
<th></th>
<th>Millennials in 2013</th>
<th>Baby Boomers in 1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$40,581</td>
<td>$50,910</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$29,350</td>
<td>$61,277</td>
</tr>
<tr>
<td>Net Worth</td>
<td>$10,900</td>
<td>$23,035</td>
</tr>
</tbody>
</table>
What financial issues are young workers worried about?

- Making Ends Meet: 42
- Paying existing debt: 20
- Low Savings: 18
- Potential Job Loss: 11
- Spending on Non-Necessities: 11
- Their Low income: 8
- Other: 4

Total Respondents: 49
Making ends meet is a stressful struggle.

“It’s just I get really stressed because I don’t know how to really describe it, but it’s like I know that I have these bills, and I know I have enough money to pay the bills, but when I’m going to pay them I guess. Yeah. Just they keep adding up.”

— Portland Interviewee

From Other Research

- **Job Situation**
  - 21% have a temporary or uncertain job
  - 49% of PT employees doing so because only option or employer cut hours

- **Income volatility**
  - 70% of people ages 18-24 experience
  - National Average: 55% experience

- **Expense volatility – Month to Month Change**
  - Median change for non-discretionary expenses: $452
  - Median change for discretionary expenses: $410
“Robert’s” Story* – Teetering on a Financial Edge

“One time, during the summer, they cut off our lights because we just couldn’t pay it...It was one of the worst times in my life.”

*To protect the identity of interviewees, name and picture do not correspond with story.
Financial Stress and Work for Young Workers

From PwC Survey

- 64% said that dealing with financial issues is stressful
- 25% said that their productivity at work has been impacted by their financial worries
- 12% said likely to have missed worked occasionally due to their financial worries
Young adults often struggle more with finances than older adults.
From FINRA Financial Capability Study

Challenges:
- Not planning ahead as much
- Less likely to utilize formal financial products
- Exhibiting lower levels of financial literacy

“People have really foundational challenges around their finances. Budgeting, managing money day to day. If you want to help someone prepare for retirement, you have to start with those foundational issues.”

-- Vishal Jain, Prudential Financial
Access to actionable and relevant help is limited.

“If [only] there could be... an actual place that I could go to get more explanation.”
- Portland Interviewee
Wanda’s Story* – Inexperienced Social Network

“[My siblings], they mean well on some things, but some things they can’t really advise me on…like this kind of stuff – college expenses – I couldn’t really go to them about advice on that because that’s not something they could tell me about.”

*To protect the identity of interviewees, name and picture do not correspond with story.
What can employers do to help young, LMI workers to thrive?
From the Young Workers Interviewed

- Offer more hours at work or higher wages
- Provide benefits that subsidize or reduce typical expenses for employees
- Connect employees to financial information and advice
- Help them to save
- Help them understand how they can best maximize income
- Offer transitional support when there is an impending job loss
Workplace-Based Financial Wellness Services

Services offered to help manage money and improve their financial wellbeing.

Common Services:
- Financial Counseling & Coaching
- Debt Management Services
- Savings Products & Services
- Online Financial Management Tools
- Short Term Loans or Accrued Wage (Pay) Advances
- Financial Education

“[E]mployers are well-suited to play a role in promoting financial literacy.”

--2015 Convening Report by the US Government Accountability Office
Benefits of Workplace-Based FWS From Center for Social Development

Employees Report:
 Feel better about their finances
 Start making changes to their financial behavior

Employers Observe:
 Reduced absenteeism
 Improved productivity
 Reduced distraction
 Increased employee engagement and organizational commitment

82% of finance executives believe that their companies will benefit from having a financially secure workforce – 2016 Survey by Prudential Financial
[T]he whole corporation thing...it’s looked upon like it’s out of touch...But you know, [offering financial wellness services] would show they definitely care...They worry about their employees’ well-being.”

--Philadelphia Respondent
Employee Financial Wellness at SunTrust Bank

Services in Program:
- Financial education (online or in classes)
- Interactive tools (budgeting, planning for a wedding, college, retirement)
- Financial coaching
- Eight paid hours a year to take care of their personal finance needs and/or to volunteer in the community around financial wellness
- Financial wellness incentive

Outcomes:
- 73% feel better prepared to handle a $2,000 unexpected expense
- 63% feel less financial stress
- 69% feel more confident building a longer career at SunTrust
- 83% believe SunTrust cares about them and their financial well-being
- 76% are more likely to refer others to work for SunTrust

Learn More: https://www.forbes.com/sites/suntrust/2016/12/22/3-new-company-benefits-that-millenials-love/#62ae85cb4e5b
What can I do to learn more about workplace-based financial wellness services?
Options for...

**Now**

- **Start a conversation with employees** to learn about needs, preferences, and interest in FWS
- **Talk to your company benefits providers** about FWS options available through your plans
- **Look into free resources** on personal finances from non-profits and government agencies (See, *Beyond the Next Paycheck* for list)

**Later**

- Read *Workplace Financial Wellness Services: A Primer for Employers* by CFED & the Center for Social Development at Wash. U. St. Louis (Coming July 2017)
- Check out the **Financial Wellness Services Directory** on CFED.org (Coming September 2017)
References


