

A man and a woman are sitting at a desk, looking at some papers together. The man is on the left, wearing a light blue button-down shirt, and the woman is on the right, wearing a yellow top. They are both smiling and appear to be in a professional setting. The background is a plain, light-colored wall.

MassMutual@WORK

# Retirement readiness and the bottom line

Presented by:  
**Travis Cox**  
Managing Director

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**::: MassMutual**

A man with a beard and long hair, wearing a white button-down shirt, is looking down at a smartphone he is holding in his hands. The background is a soft, out-of-focus landscape.

## A generation lost

OVER  
**35**  
MILLION  
**BOOMERS  
MAY NEVER BE  
ABLE TO RETIRE**

Source: The Insured Retirement Institute, Sixth Annual Update on Retirement Preparedness of the Boomer Generation (2016)

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A POPULATION THE SIZE OF  
THE STATE OF CALIFORNIA

A man with a beard and long hair, wearing a white button-down shirt, is looking down at a smartphone he is holding in his hands. The background is a soft, out-of-focus light blue.

**A generation lost**

**50+**  
**MILLION**

**WORKERS WILL BE  
AT RETIREMENT  
AGE BY 2020**

Source: Source: United States Census Bureau (2014)

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A man with a beard and long hair, wearing a white button-down shirt, is looking down at a smartphone he is holding in his hands. The background is a soft, out-of-focus light blue.

## A generation lost

# 2/3

OF BOOMER WORKERS  
**EXPECT  
TO WORK  
PAST AGE 65**  
OR DON'T PLAN TO RETIRE  
**AT ALL**

Source: 17th Annual Transamerica Retirement Survey of Workers, August 2016

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A man with a beard and long hair, wearing a white shirt, is looking down at a smartphone he is holding. The background is a bright, hazy outdoor scene.

**A generation lost**

**UNDER-  
PREPARED  
& UNDERSERVED  
LEADS TO  
UNPREDICTABLE  
OUTCOMES**

# The retirement industry

An example of alignment between individual and employer goals



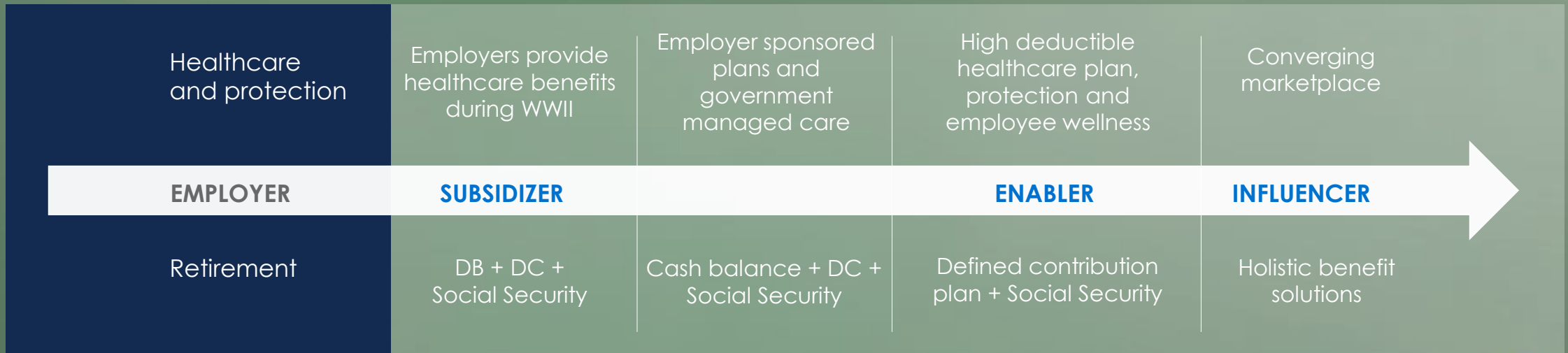
Let me retire, on my own terms



We need to survive and thrive in an ever-changing competitive environment



# Benefit programs are evolving



A man with short grey hair and glasses, wearing a light blue dress shirt and a dark blue striped tie, is sitting in a black office chair. He is looking down at a silver tablet computer he is holding with both hands. The background is a blurred office window showing a cityscape.

**Can employers afford to invest  
in Defined Contribution plans?**

**The reality is...  
They can't afford not to**



# Unpredictable workforce costs

When employees work longer than desired, costs become harder to predict



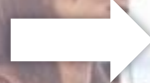
Lower productivity



Higher healthcare and salary costs



Unexpected turnover and financial stress

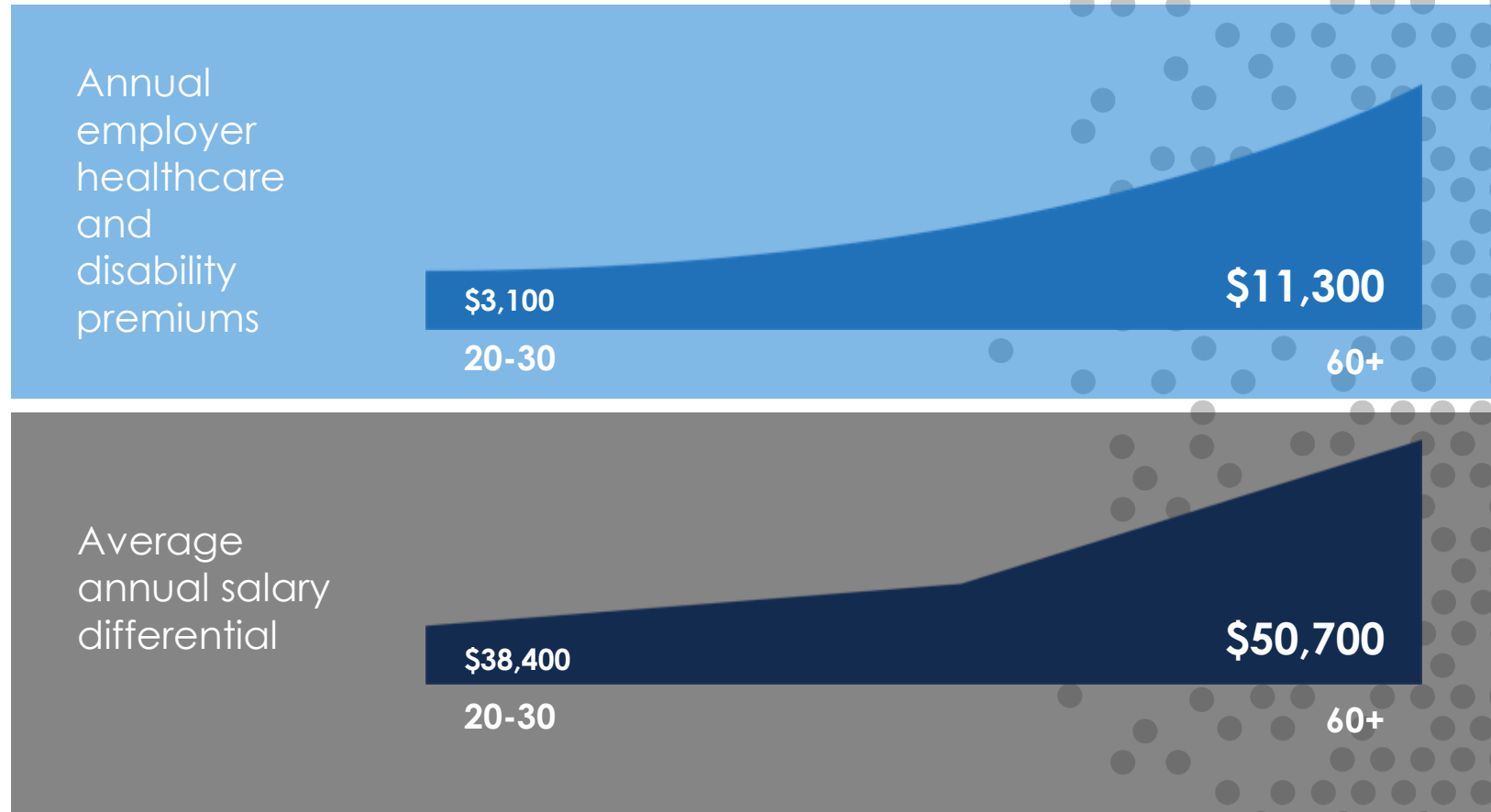


Drive  
volatility  
and  
instability



# Insurance costs and salary differential add up

Costs employer \$20,000+ per employee per year



Source: CIGNA (healthcare premium)

Source: [www.lanl.gov](http://www.lanl.gov) (Voluntary LTD rates); Ge Re Research, [www.genre.com/aboutus/press-releases/gen-re-announces-2013-us-group-disability-and-group-term-life-market-survey-results.html](http://www.genre.com/aboutus/press-releases/gen-re-announces-2013-us-group-disability-and-group-term-life-market-survey-results.html)

Source: Bureau of Labor Statistics, [www.bls.gov/news.release/archives/wkyeng\\_10202015.pdf](http://www.bls.gov/news.release/archives/wkyeng_10202015.pdf) (Salary Differential)

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# Case study

Three like companies with 1,000 employees that only vary in worker demographics

	Company 1	Company 2	Company 3
Percent of workforce 60+	30%	20%	10%
Percent of workforce 40-60	45%	40%	35%
Percent of workforce under 40	25%	40%	55%
Annual healthcare and disability premiums	\$7.6M	\$6.6M	\$5.5M
Annual salary costs	\$49.5M	\$48.0M	\$46.5M

Source: CIGNA (healthcare premium)

Source: [www.lanl.gov](http://www.lanl.gov) (Voluntary LTD rates); Ge Re Research, [www.genre.com/aboutus/press-releases/gen-re-announces-2013-us-group-disability-and-group-term-life-market-survey-results.html](http://www.genre.com/aboutus/press-releases/gen-re-announces-2013-us-group-disability-and-group-term-life-market-survey-results.html)

Source: Bureau of Labor Statistics, [www.bls.gov/news.release/archives/wkyeng\\_10202015.pdf](http://www.bls.gov/news.release/archives/wkyeng_10202015.pdf) (Salary Differential)

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# Financially stressed workers

A man in a dark suit, white shirt, and blue tie is sitting at a desk. He is wearing glasses and has a stressed expression, with his right hand pressed against his temple and his head tilted back. In the foreground, a laptop and a calculator are visible on the desk.

Cost employers **\$5,000** per year per employee, on average

Reducing stress with just 10% of employees reduces costs by ~**\$500,000** per year

Source: <http://www.forbes.com/sites/FinancialFinesse/2013/06/13/are-you-financially-stressed/>

Source: <https://www.kansascityfed.org/publicat/cap/capwp09-01.pdf>

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# Unexpected turnover

Costs an employer roughly **150%** of salary for replacement and productivity loss

1% improvement in employee retention saves an estimated **~\$700,000** per year

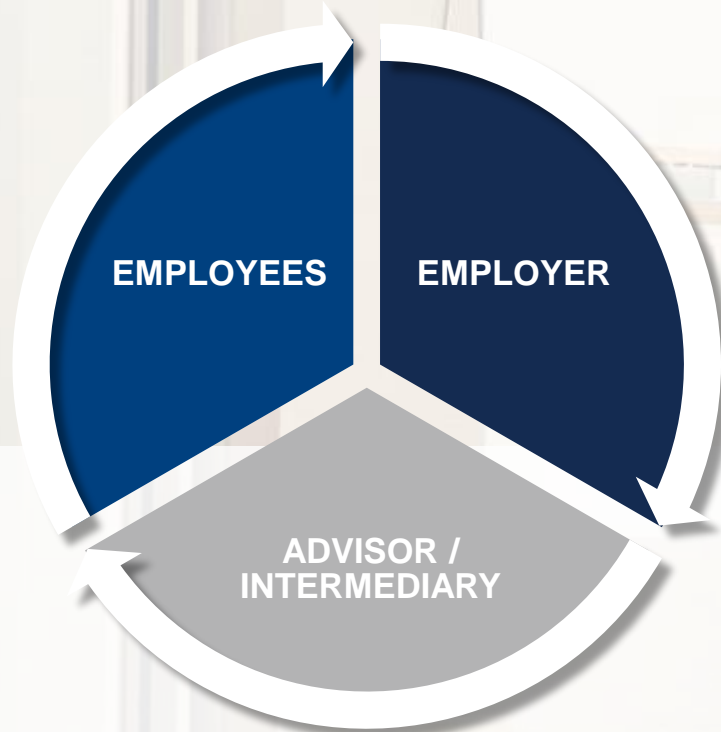
Source: <http://ww2.cfo.com/big-data-technology/2015/10/big-data-can-help-cut-employee-turnover-costs>

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# The solution



A **“predictable workforce”** drives good outcomes for all parties in the equation

Source: <http://ww2.cfo.com/retirement-plans/2015/05/employers-plan-bump-401k-contributions/>

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Plan design



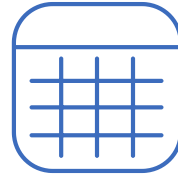
Employee action

**Driving  
outcomes  
at two levels**

# Practical prescriptions to build better outcomes

	Design easy choices to address inertia	Manage losses to address loss aversion	Provide behavioral time machines to address myopia
Save (enroll)	Auto enrollment	Optimize employer match	The face tool
Save more (adequate savings rate)	Pre-plan savings increases	Get raise and save	Visualize retirement
Save smarter (wise investment decisions)	Target date funds	Lifetime statements	Projected retirement income

# Competition for savings



Do I save for  
**retirement**  
for tomorrow?



Do I save for  
**healthcare**  
cost today?

As health savings accounts and other benefits become more prevalent, there will be competition for savings in the 401 (k)





# Driving the need for guided interactions and holistic benefit solutions

A hand-drawn diagram on a dark background featuring several interlocking gears of various sizes. Six grey circles, each containing a text label, are positioned within the gears. A hand holding a white marker is visible on the left, pointing towards the 'High deductible healthcare' circle.

High deductible healthcare

Employee wellness program

Defined benefit or cash balance plan

Benefits will continue to bundle and comeingle...

Defined contribution plan

Health savings

# The opportunities are clear

**38%**

SAY THEY KNOW  
**LITTLE OR  
NOTHING**  
ABOUT THEIR  
EMPLOYER-PROVIDED  
BENEFITS

**37%**

FIND MANAGING THEIR  
**PERSONAL  
FINANCES**  
SOMEWHAT OR  
VERY DIFFICULT

**42%**

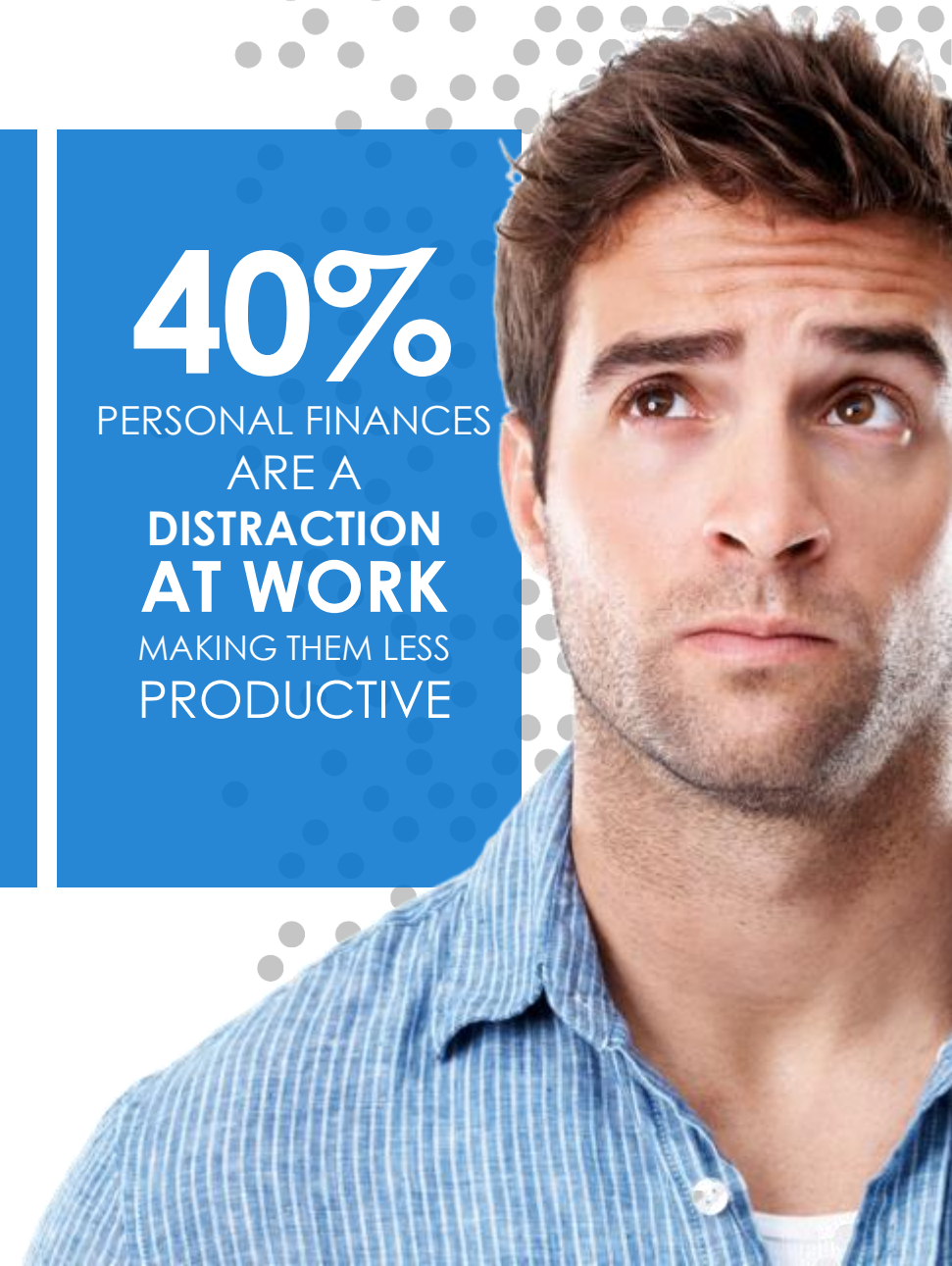
TWO IN FIVE ARE  
**CLUELESS**  
WHETHER OR NOT  
THEY ARE ON TRACK  
TO RETIRE  
COMFORTABLY

**40%**

PERSONAL FINANCES  
ARE A  
**DISTRACTION  
AT WORK**  
MAKING THEM LESS  
PRODUCTIVE

Source: 2015 MassMutual Employee Benefits Security Study

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# What's the bottom line for employers?

**Make sure to have the right plan that:**

- ✓ Meets your current goals and objectives
- ✓ Conforms to all of the fiduciary guidelines
- ✓ Has the ideal plan design to optimize long-term returns and outcomes
- ✓ Delivers an active participant engagement model
- ✓ Incorporates guidance tools and holistic solutions to help people retire on their terms





# What's the bottom line for employers?

## Make sure you have the right interactive tools to engage and measures to act:

- ✓ Assess current state of employee retirement readiness and paycheck
- ✓ Understand cost to the business when employees lack retirement readiness and financial security
- ✓ Assess potential cost re-deployment from benefits right-sizing
- ✓ Provide tools to measure how well an employee is progressing in replacing 75% of their income at age 67
- ✓ Monitor progress and make adjustments to keep employees on track

# What's the bottom line for employees?

## Employee tools and guidance:



Focused



Personalized



Simple and  
easy to understand



Encourage  
action



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C:RS-44984-00

# Financial Wellness:

The Key to Retirement Readiness?



## OUTCOMES MATTER



Financial wellness programs have been gaining ground as a vital component of holistic retirement plan design – and for good reason. Employers increasingly recognize that there is a direct link between financial wellness, employee performance, and their organization’s long-term success.

Yet for all the buzz around financial wellness, employee outcomes are what matter most. ***Financial Wellness: The Key to Retirement Readiness?*** delves into the topic of financial stress and its impact on the financial wellbeing of both employers and the employees they serve. It also shares some initial findings from our recent consumer needs study<sup>1</sup>, including the behaviors that prevent many employees from achieving financial security and best practice insights on financial wellness programs and what it takes to move the needle on retirement readiness.



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## Making connections

Employers count on their employees to further the success of their business. To drive growth, employees must be focused, energized and engaged. Yet many come to work each day stressed about personal financial worries. Those money woes can affect their productivity at work. It can also impact their ability to save enough for retirement. And both can have a negative effect on the financial health of an employers' business.

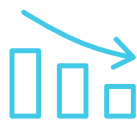
Here's how:

**Connect the dots: When workers are financially stressed, everyone pays the price.**

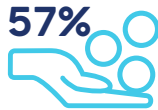
### EMPLOYEES



of Americans live  
**PAYCHECK TO PAYCHECK,**  
up from 75% in 2016.<sup>2</sup>



**18%** of workers have reduced  
their **401(k) CONTRIBUTION**  
and/or personal savings in the last year.<sup>4</sup>



**57%** of Americans say they have  
**LESS THAN \$1,000**  
**IN A SAVINGS ACCOUNT.**<sup>6</sup>



**51%** of financially stressed  
employees say it's likely they'll  
**TAP THEIR RETIREMENT**  
plans prior to retirement to cover  
other expenses.<sup>8</sup>

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66

Given the tangible and intangible costs of financial stress in the workplace, it's not surprising that more and more companies are recognizing that investing in their employees' financial health isn't just the right thing to do — it's also an essential business strategy.

## EMPLOYERS

### FINANCIALLY STRESSED

employees, on average, spend **13 HOURS PER MONTH** distracted by finances at work.<sup>3</sup>



**80%**

### OF HUMAN RESOURCES PROFESSIONALS

surveyed say that financial problems impact **employee performance**.<sup>5</sup>

### FOR EVERY \$1 CONTRIBUTED



to retirement plan accounts of workers under age 55, **40 cents leaks out in the form of withdrawals** — and that doesn't include loans against retirement savings.<sup>7</sup>

### FINANCIAL STRESS

can cost an employer with 10,000 workers as much as **\$3.3M** in lost productivity.<sup>9</sup>

**PER YEAR**







## A catalyst to do more

Historically, employers have focused on providing financial education to help their employees appreciate the advantages of saving through their retirement plan. More recently, employers have been leveraging plan design auto-features (such as auto-enrollment and auto-escalation) and QDIAs (specifically, target-date funds) to help them get closer to their plan goals for participation, savings, and asset allocation. But is that enough?

Even when employees grasp the importance of saving for long-term goals, our research finds that there is a large chasm between how employees feel about their finances and how they want to feel. The reality is that most are balancing competing demands on their money. Student loans, credit card debt, saving for college are just some of the priorities. It's not surprising that many employees expect to retire later than they originally planned<sup>10</sup> not because they want to, but because they need to.

Fortunately, employers recognize the implications of a financially stressed workforce and are taking action. In response, 60% of companies report that their focus on employee financial health has increased over the last 24 months.<sup>11</sup>

60%



**OF COMPANIES REPORT**

that their focus on employee financial health has

**INCREASED OVER THE LAST 24 MONTHS**

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Our research into the participant mindset recognizes that people have a tendency to focus on short-term priorities versus long-term goals.<sup>12</sup>

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## Traditional financial education programs are not enough

The good news is that financial wellness programs can and do make a difference. However, providing financial wellness isn't as simple as offering a guide to retirement planning hoping for the best.

Our research into the employee mindset recognizes that people have a tendency to focus on short-term priorities versus long-term goals.<sup>12</sup> Also, they're much more likely to take action when the financial education they receive includes personas and testimonials they can relate to.

Fortunately, financial wellness has evolved from a measure of financial literacy to a more holistic and personalized view of an employee's unique financial journey that encourages behaviors that will help them reach retirement readiness.

Best practices financial wellness programs create multiple touchpoints to meet employees wherever they are in their financial journey, providing real experiences that have meaning and value to employees — including from actionable tools and resources to help them set aside money for emergencies, create a spending plan they can live with, save for a home and fund a child's education, while still saving for long-term financial goals like retirement. The more employees can relate to and interact with financial wellness tools, the more positive the outcome — and the greater the likelihood that they will continue to leverage the right resources to meet their needs, when it means the most to them.



### FINANCIAL WELLNESS

takes a more holistic and personalized view of an

**EMPLOYEE'S UNIQUE FINANCIAL JOURNEY**



## Financial wellness benefits compound over time

A recent study showed that employees who repeatedly engage with a workplace financial wellness program benefit from a compounding effect, where gains in financial health grow over time.<sup>13</sup>







When employers play an active role in helping to improve their employees' financial wellness, employees face less financial stress and distraction, and employers benefit from a more engaged and productive workforce — and everyone wins.

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Employees with access to financial wellness programs have more than twice the job satisfaction and higher levels of trust in their employer than those without access.<sup>14</sup>

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Source: Financial Finesse. New Financial Finesse Research Finds Financial Wellness Compounding Effect. May 2018. [www.prnewswire.com/news-releases/new-financial-finesse-research-finds-financial-wellness-compounding-effect-300656068.html](http://www.prnewswire.com/news-releases/new-financial-finesse-research-finds-financial-wellness-compounding-effect-300656068.html)



On average, firms offer **4.7 benefits** for financial wellbeing or debt assistance to their employees.

Source: EBRI. 2018 Employer Financial Wellbeing Survey. [www.ebri.org/publications/research-publications/issue-briefs/content/ebri-s-2018-employer-financial-wellbeing-survey](http://www.ebri.org/publications/research-publications/issue-briefs/content/ebri-s-2018-employer-financial-wellbeing-survey)



## Financial wellness with a difference

While more companies are adopting financial wellness programs, 38% of firms consider their financial wellness initiatives to be in the pilot phase. Another 34% describe their efforts as periodic campaigns or ad hoc programs.<sup>15</sup> This suggests there is an excellent opportunity to help create a program where everyone wins.

At MassMutual, we believe that financial wellness is in everyone's best interest. When employees have a financial game plan for meeting the financial challenges ahead, they're more positive and productive. They also are more likely to retire on time — which can be good news for an employer's bottom line.

The idea of financial wellness isn't new to us — it's been part of our commitment to customers for more than 165 years. Our comprehensive platform of holistic financial wellness tools and solutions, including our innovative MapMyFinances tool, are action-oriented, easy to implement, and support behavioral change.

Together, they provide a game plan that can help plan participants make smart choices about the short- and long-term financial challenges they face — one that also provides a way for employers to boost the financial security of the employees they serve. When you connect the dots between a financially fit, retirement-ready workforce and an employers' bottom line, everyone wins.



**38%** of firms consider their financial wellness initiatives to be in the **PILOT PHASE**.



**34%** describe their efforts as **PERIODIC CAMPAIGNS** or **AD HOC PROGRAMS**.

**When part of a thoughtfully designed retirement plan, a financial wellness program can help:**

- Increase employee engagement and retention
- Boost productivity and job performance
- Reduce absenteeism and lower turnover rates
- Increase participation in employer-provided benefits plans
- Drive retirement readiness for all employees
- Pave the way for career advancement opportunities for younger employees and decrease turnover
- Empower employees to take control of their financial lives

**75%**

of firms with **10,000** or more employees offer financial wellness programs versus **49%** of smaller firms.

Source: EBRI. 2018 Employer Financial Wellbeing Survey. [www.ebri.org/publications/research-publications/issue-briefs/content/ebri-s-2018-employer-financial-wellbeing-survey](http://www.ebri.org/publications/research-publications/issue-briefs/content/ebri-s-2018-employer-financial-wellbeing-survey)

## Let's talk

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To learn about MassMutual's retirement plan solutions, including our leading edge financial wellness tool, MapMyFinances, please contact us today at **1-800-874-2502**, Option 4.

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- <sup>1</sup> MassMutual Proprietary Participant Financial Wellness Qualitative Research, SmartyPants®, 2018
- <sup>2</sup> 2017, CareerBuilder, Living Paycheck to Paycheck is a Way of Life for a Majority of U.S. Workers. [press.careerbuilder.com/2017-08-24-Living-Paycheck-to-Paycheck-is-a-Way-of-Life-for-Majority-of-U-S-Workers-According-to-New-CareerBuilder-Survey](http://press.careerbuilder.com/2017-08-24-Living-Paycheck-to-Paycheck-is-a-Way-of-Life-for-Majority-of-U-S-Workers-According-to-New-CareerBuilder-Survey)
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- <sup>7</sup> 2017, Aspen Institute, Driving Retirement Innovation: Can Sidecar Accounts Meet Consumers' Short- and Long-Term Financial Needs?. [assets.aspeninstitute.org/content/uploads/2017/06/FSP-Sidecar-Accounts-Brief.pdf](http://assets.aspeninstitute.org/content/uploads/2017/06/FSP-Sidecar-Accounts-Brief.pdf)
- <sup>8</sup> 2018, PwC, Employee Financial Wellness Survey: 2018. [www.pwc.com/us/en/industries/private-company-services/library/financial-well-being-retirement-survey.html](http://www.pwc.com/us/en/industries/private-company-services/library/financial-well-being-retirement-survey.html)
- <sup>9</sup> A2017, PwC, Special Report: Financial Stress and the Bottom Line, [www.pwc.com/us/en/industries/private-company-services/library/financial-well-being-retirement-survey/special-report-form/thank-you.html](http://www.pwc.com/us/en/industries/private-company-services/library/financial-well-being-retirement-survey/special-report-form/thank-you.html)
- <sup>10</sup> EBRI, 2018 RCS Fact Sheet #2: Expectations Around Retirement. [www.ebri.org/docs/default-source/rcs/6\\_rcs\\_18-fs-2\\_expect.pdf?sfvrsn=e1e9302f\\_2](http://www.ebri.org/docs/default-source/rcs/6_rcs_18-fs-2_expect.pdf?sfvrsn=e1e9302f_2)
- <sup>11</sup> Aon Hewitt, Hot Topics In Retirement 2017. [www.aon.com/attachments/human-capital-consulting/2017-hot-topics-financialwellbeing-report-final-january.pdf](http://www.aon.com/attachments/human-capital-consulting/2017-hot-topics-financialwellbeing-report-final-january.pdf)
- <sup>12</sup> MassMutual Proprietary Participant Financial Wellness Qualitative Research, SmartyPants®, 2018
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