

## Transforming Workplace

# Navigating a new era of financial wellness

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### Key takeaways

- Employers continue to embrace programs that expand support for their employees in response to increased stress around financial wellness, especially due to current economic conditions. A heightened focus on diversity and inclusion (D&I), mental, physical and financial wellness programs, equity grants and access to investment advice, provide the support needed by an increasingly diverse workforce.
- Diversity has been shown to bring benefits to the workplace, but it also makes delivering employee benefits more challenging. Diverse workforces have more wide-ranging needs, but the common thread is that employees are looking to their employers for help in achieving their goals.
- The role of workplace benefits and wellness programs in improving employees' quality of life is more important than ever. While the increasing prevalence and expansion of these programs is positive, more can still be done to empower and support employees' throughout their often complex career, financial, and wellness journeys.

Bank of America's latest Workplace Benefits Report, "[Navigating a new era of financial wellness](#)," (the Report) examines the benefits offered by employers and the types of support that employees are seeking on financial and non-financial topics. This year's Report, which is based on two surveys conducted in February and July 2022, covers a number of topics — financial, mental and physical wellness, current economic conditions, including the impact of inflation and market uncertainty, and retirement preparedness to name a few — that can contribute to an employee's sense of holistic wellness. Ultimately, the Report aims to underscore the support that employees need and want, and assist employers in making informed decisions about the workplace benefits they offer and deliver.

### It's all about employee satisfaction

In response to increased stress around financial wellness, employers continue to embrace programs that expand support for their employees. For example, according to the Report, 91% of employers see higher employee satisfaction when they offer resources to manage overall wellbeing. Other top findings from the Report include:

- Employers feel an increased sense of responsibility for the financial wellness of employees. 97% of employers feel responsible for employee financial wellness (up from 95% in 2021, and from 41% in 2013) – with two-thirds (62%) going as far to say they feel extremely responsible (up from 56% in 2021). Employees agree with this sentiment, as 80% say employers should play a role in supporting their financial wellness.
- Wellness programs can result in tangible benefits for employers and employees. More than 80% of employers agree that offering financial wellness support can result in more satisfied, loyal, engaged and productive employees. Employers who take it a step further and broaden their wellness programs to include mental and physical wellness resources are seeing noticeable improvements in productivity (50%), employee stress (43%), employee morale (41%) and employee creativity and innovation (36%).
- Equity grants are powerful recruitment and retention incentives. 77% of employers at publicly traded companies offer some kind of equity compensation and 44% of employees who participate in equity compensation plans say it was an important reason for accepting the job, yet only 33% of employees say they know enough to make informed decisions about equity awards.
- Access to investment advice. With four-in-ten employees saying they want access to advice from an investment professional, 62% of employers are now offering employees access to investment advice services (up from 55% in 2021).
- Heightened focus on diversity and inclusion (D&I) programs. 74% of employers believe that diversity and inclusion programs are important for retaining talent, yet only half (50%) currently offer such programs.

## Stressed economic conditions, means stressed employees

[The Report](#) also explored the impact of the current economic and inflationary environment on employees' financial wellness, revealing that current conditions have increased financial stress among employees. It noted that 80% of employees are concerned about inflation and 48% worry that with the current rate of inflation, they won't be able to make ends meet. This is having an impact on employees overall feeling of financial wellness: 71% feel the cost of living is outpacing growth in their salary or wages. In fact, after the percentage of employees who feel financially well reached above pre-pandemic levels in February 2022 (57% vs. 55% in 2019), the percentage dropped to a 5-year low of 44% in July 2022. The Report notes that employees are taking actions to relieve financial strain around current economic conditions:

- Employees are dipping into savings. Half of employees have taken action in the last six months due to financial strain, including tapping into emergency savings (21%), working additional hours (21%), looking for higher paying jobs (20%) and taking out a 401(k) hardship withdrawal (6%).
- Regardless, employees are more optimistic about their intermediate future. When looking at the next 2-3 years, most employees said they felt optimistic about their financial (56%), social (60%), and mental (62%) well-being.
- Digital tools play a key role in driving employee engagement. Employees are seeking out digital tools that offer personalized support, and employees find tools that can provide streamlined information and help track and set financial goals most useful. In fact, 52% of employees prefer to use a digital app to manage their finances.

## A common thread in a diverse workforce

A [recent analysis by the Bank of America Institute](#) also notes that company culture and values are the biggest driver of overall employee satisfaction – more than compensation. Diversity has been shown to bring benefits to the workplace, but it also makes delivering employee benefits more challenging. Diverse workforces have more wide-ranging needs, but the common thread is that they are looking to their employers for help in achieving their goals. Employees continue to show differences in financial wellness when viewed by gender, ethnicity or generation. Though the financial wellness gap has closed for women, it has expanded for minorities since February. Top findings from the Report include:

- Women lag men but are closing the gap when planning for long-term goals. Women continue to trail men in their feelings about financial wellness and preparedness. For example, 54% of men and 69% of women do not understand social security benefits. Despite this, the financial wellness gender gap is closing. As of July 2022, men were only 5 percentage points more likely to feel financially well (42% women vs. 47% of men), down from 10 percentage points in 2021 (47%, 57%) and 17 percentage points in 2020 (41%, 58%).
- Minorities have seen a greater negative impact to their feelings of financial wellness. Employees across various ethnicities reported significant drops in their perceptions of financial wellness, with minorities reporting more significant declines. For example, 49% of White/Caucasian employees feel financially well (compared with 56% in February), followed by 37% of Asian employees (67% in February), 33% of Hispanic/Latino employees (47% in February) and 32% of Black/African American employees (50% in February).
- Feelings of financial wellness have declined across generations this year. Since February, feelings of financial wellness have declined significantly across generations, with Gen Z/Millennials at -15%, Gen Xers at -14% and Baby Boomers/Silent Generation at -10%.

## Retirement preparedness

The impact of the current economic environment also means that comprehensive retirement preparedness is more important than ever, according to the Report. In fact, fewer than one in three employees say they are confident that they will be able to have the flexibility to manage unexpected expenses, have the right plan to meet spending needs during retirement and/or move from *saving* money for retirement to *using* money in retirement. Additional insights include:

- Health care remains an opportunity. 84% of employers feel very responsible for their employees' understanding of retirement healthcare needs and costs, and 89% of employers who offer Health Savings Accounts (HSAs) contribute to their employees' savings. Healthcare education is an opportunity, with only 54% of employers communicating about these topics at least once a year.
- Retirement remains a top concern, driving action. As of July 2022, 56% of employees are confident they will reach their retirement goals, down from 69% in February 2022. Seventy-four percent say investing in their 401(k) and other accounts will help them build a retirement nest egg and 61% are contributing enough to maximize their employer match.
- Education about Social Security is necessary. Only 38% of employees say they understand their projected social security benefits. While 48% of employees indicate they are not getting enough education about the program, less than 40% of employers offer employees social security support and education.

## What could employers consider?

[The Report](#) outlines suggested potential action steps for employers. By prioritizing financial wellness, they can attract and retain talent while allowing people to bring their fullest selves to work, which in turn can increase productivity. To differentiate themselves in an increasing challenging labor market, the Report suggests that employers should consider the following:

1. Expand workplace engagement strategies to help attract, recruit and retain talent.
2. Personalize financial wellness programs to meet the needs of employees as they navigate their financial life.
3. Expand programs beyond financial wellness topics that help support enhanced overall wellness.
4. Provide the latest tools and educational support including: financial literacy, coaching and mentoring that can help build and engage a diverse workforce.
5. Connect with employees in meaningful and relevant ways through digital engagement.

## The bottom line

As the age, gender and ethnicity of workforces becomes more diverse, the variations of support needed by employees will continue to expand and a more diverse workforce will look to employers to provide tailored solutions for help in achieving their goals. The role of workplace benefits and wellness programs in improving employees' quality of life is more important than ever. While the increasing prevalence and expansion of these programs is positive, more can still be done to empower and support employees' throughout their often complex career, financial, and wellness journeys.

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## **Sources**

### **2022 Bank of America Workplace Benefits Report, “Navigating a new era of financial wellness”**

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## **Workplace Benefits Report Methodology**

Escalent surveyed a national sample of 834 employees who are working full-time and participate in 401(k) plans, and 846 employers who offer both a 401(k) plan and have sole or shared responsibility for decisions made in the plan. The survey was conducted between February 3, 2022 and February 28, 2022. Escalent conducted a second survey of 478 employees who are working full-time and participate in 401(k) plans between July 5, 2022 and July 19, 2022. To qualify for both surveys, employees had to be current participants of a 401(k) plan and employers had to offer a 401(k) plan option. Neither was required to work with Bank of America. Bank of America was not identified as the sponsor of the study.

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