

# Is Financial Flexibility the “New” American Dream?

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# Who needs Financial Flexibility?



Just some Pre-Work


What are their options?



**FRED**

gender	age	status
Male	43	Married
family		
Wife: Julie, 42; son: Ben, 18; son: Michael, 20		

location	job	employer
Stockbridge, GA	IT Specialist	Leading Edge Electronics



**SOPHIE**

gender	age	status
Female	28	Single
family		

location	job	employer
Charlotte, NC	Property Mgr	Robert Lane & Company



**WENDY**

gender	age	status
Female	35	Single mother
family		
Son: Chris, 12		

location	job	employer
Southaven, MS	Administrative Asst.	W&S Distributors

Let's talk about Fred

## Meet Fred



# FRED

gender	age	status
<b>Male</b>	<b>43</b>	<b>Married</b>

family
Wife: Julie, 42; son: Ben, 18; son: Michael, 20

location	job	employer
<b>Stockbridge, GA</b>	<b>IT Specialist</b>	<b>Leading Edge Electronics</b>

## GOALS

*Short term:*

- » Continue to provide for his family
- » Spend more time nurturing his hobbies, especially golfing and hunting and enjoying time with his wife
- » Make some improvements around the house like remodeling the bath room and building a shed in the back yard

*Long term:*

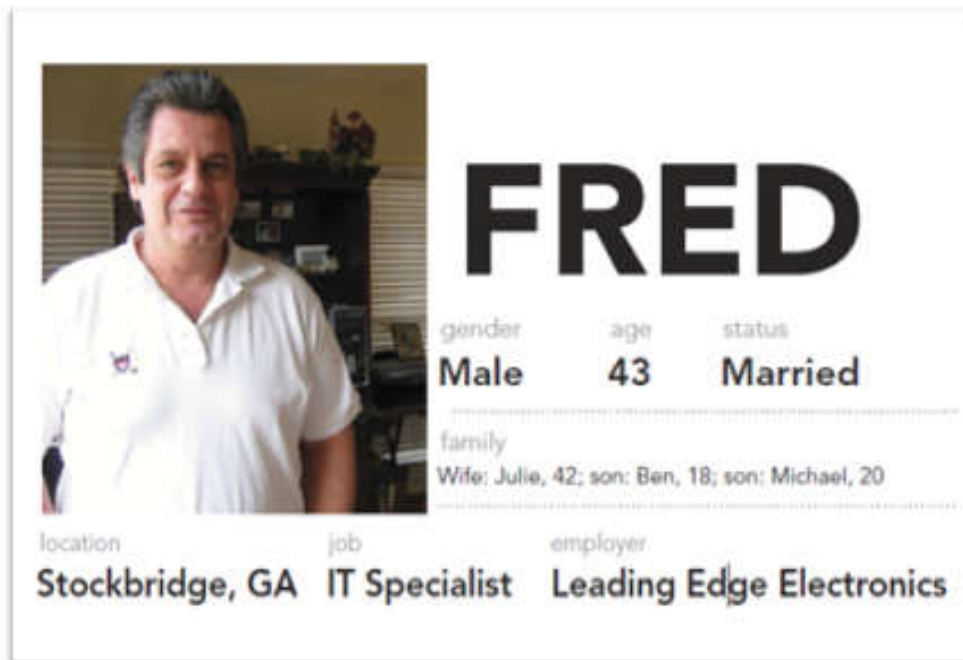
- » Get a better job that he enjoys more and pays better, but isn't pursuing right now

## KEY CHARACTERISTICS


- » Is very comfortable and laid back when it comes to life and doesn't let finances or work bother him
- » Focuses on the day-to-day and doesn't plan for the future
- » Wants to retire someday but isn't sure it's possible

Let's talk about Fred

## Fred 's Financial Behavior



A profile card for a man named Fred. It includes a photo of a middle-aged man with dark hair, wearing a white polo shirt. To the right of the photo, the name 'FRED' is written in large, bold, black letters. Below the name, there are three columns of text: 'gender' with the value 'Male', 'age' with the value '43', and 'status' with the value 'Married'. Below this, there is a section for 'family' with the text 'Wife: Julie, 42; son: Ben, 18; son: Michael, 20'. At the bottom, there are three columns: 'location' with 'Stockbridge, GA', 'job' with 'IT Specialist', and 'employer' with 'Leading Edge Electronics'.

	<b>FRED</b>		
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Wife: Julie, 42; son: Ben, 18; son: Michael, 20			
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Stockbridge, GA	IT Specialist	Leading Edge Electronics	

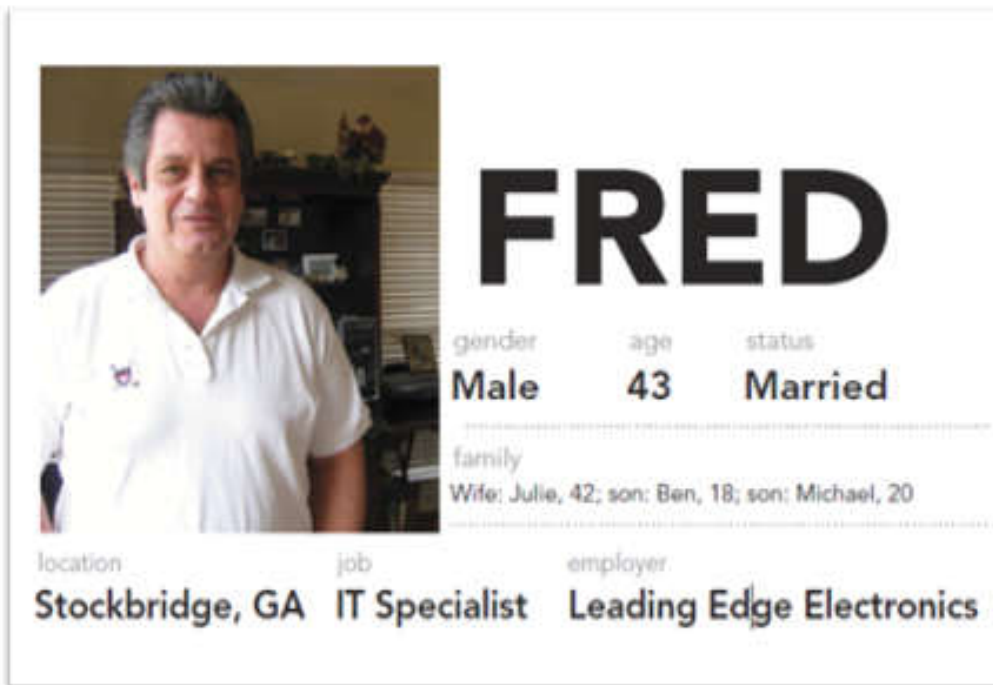
### FINANCIAL BEHAVIORS

- » Spends money on everyday experiences like eating out, movies, shopping, video games, etc.
- » Thinks he should spend less but doesn't really make it a priority
- » Pays the minimum monthly payment for his credit card debt and continues to use credit cards when needed
- » Does monthly budgeting loosely in his head, doesn't feel like he needs a formal tool
- » Has developed a comfort with credit card debt and procrastinates paying it off
- » Saves occasionally but doesn't have enough to support his family if anything bad were to happen

“I know I should save more but life is short, and you never know what's going to happen tomorrow, so you better enjoy today.”

Let's talk about Fred

## What Happened to Fred



A profile card for a man named Fred. On the left is a photo of a middle-aged man with dark hair, wearing a white polo shirt. To the right of the photo, the name 'FRED' is written in large, bold, black capital letters. Below the name, there are three columns of text: 'gender' with 'Male', 'age' with '43', and 'status' with 'Married'. Below these, the word 'family' is followed by 'Wife: Julie, 42; son: Ben, 18; son: Michael, 20'. At the bottom, there are three columns: 'location' with 'Stockbridge, GA', 'job' with 'IT Specialist', and 'employer' with 'Leading Edge Electronics'.

<b>FRED</b>		
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Male	43	Married
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### Last Month

- Fred's wife lost her job

### Current Situation

- Living on one income
- Eating through their savings
- Less than 2 month away from depleting nest egg

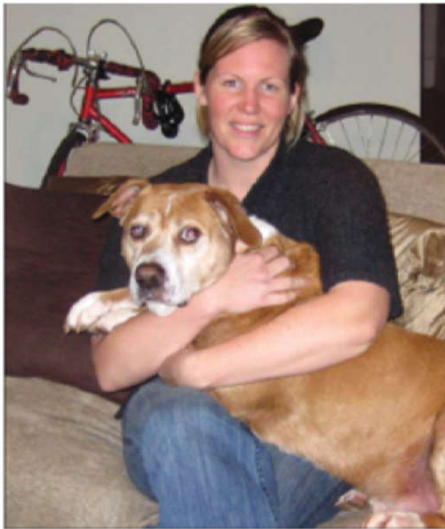
### Unexpected Expenses

- Receives text that his college son's laptop dies
- Doesn't have the cash to pay it in full



Let's talk about Sophie

## Meet Sophie



# SOPHIE

gender	age	status
Female	28	Single

location	job	employer
Charlotte, NC	Property Mgr	Robert Lane & Company

### GOALS

*Short term:*

- » Go back to school for master's degree to advance her career
- » Go out more and socialize to try to meet someone
- » Buy a house in the next year or two
- » Start saving for retirement
- » Completely pay off debt by the end of the year and cut up all her credit cards

*Long term:*

- » Get married and start a family
- » Be debt-free and financially stable so she can travel and enjoy life
- » Save enough to retire in a beach house

### KEY CHARACTERISTICS

- » Wants luxuries and unique experiences but wants to live within her means
- » Thinks about security for tomorrow (particularly being prepared for emergencies, especially in this economy)
- » Wants to retire someday and is trying to make sure that happens

Let's talk about Sophie

## Sophie's Financial Behavior



**SOPHIE**

gender	age	status
<b>Female</b>	<b>28</b>	<b>Single</b>
location	job	employer
<b>Charlotte, NC</b>	<b>Property Mgr</b>	<b>Robert Lane &amp; Company</b>

### FINANCIAL BEHAVIORS

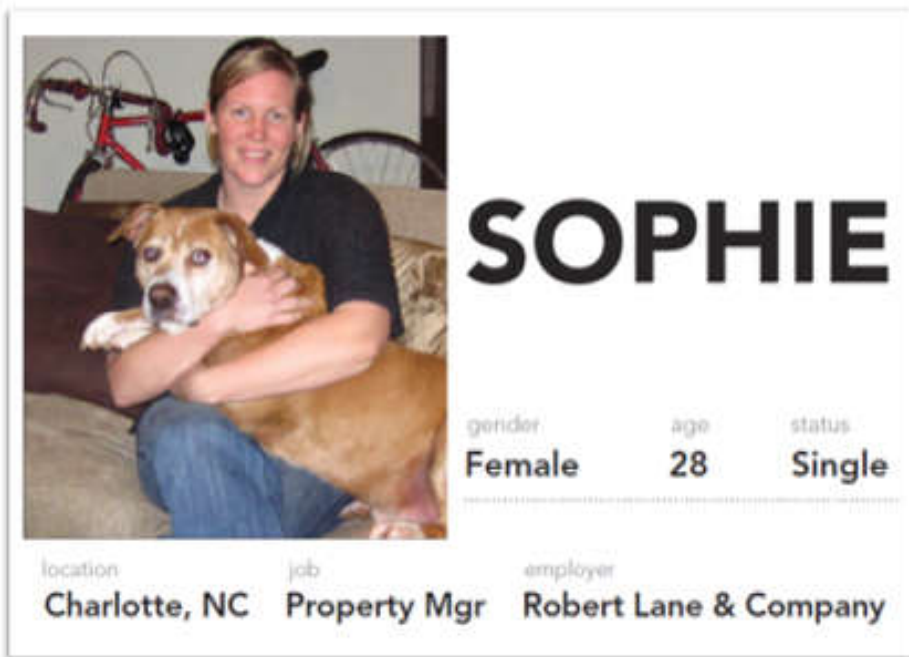
- » Is in a period of saving so she is restricting spending—no eating out, no shopping, and no vacations
- » Searches for deals and coupons when she does have to make a purchase
- » Has recently set up an emergency account for unforeseen expenses
- » Is paying as much as possible each month to get rid of student loans and credit card debt that she accumulated in college
- » Has created a detailed budget spreadsheet and plans to improve finances and is really trying to stick to it
- » Feels like she knows enough about finances that she doesn't need "how tos" or online tools, although she would be interested in expert advice

"I've been getting by for the past few years but I want more out of life. I want to buy a house in the near future and I want to be able to retire someday, so it's time to get my life on track."



Let's talk about Sophie

## What happened to Sophie?



### Earlier this week

- Pays off the last \$1500 she had left on one of her credit cards

### Current Situation

- Is trying to keep to her budget since she just made a huge credit card payment.

### Unexpected Expense

- Rush her dog Taco to the emergency vet during the middle of the night
- Has to pay in full the vet bill in order to take him in a few days

Let's talk about Wendy

## Meet Wendy



# WENDY

gender age status  
**Female 35 Single mother**

family  
Son: Chris, 12

location job employer  
**Southhaven, MS Administrative Asst. W&S Distributors**

### GOALS

*Short term:*

- » Meet everyday demands—pay bills, get groceries, etc.
- » Enjoy experiences so she isn't working just to pay the bills

*Long term:*

- » Be a good mother and give her son everything he wants
- » Have fun and enjoy life
- » Pay off debt and start saving for emergencies, but doesn't think she can right now

### KEY CHARACTERISTICS

- » Prioritizes experiences over security
- » Is not too concerned with overwhelming debt
- » Feels like her situation is out of her control and is simply trying to make the best of the "hand she was dealt"
- » Thinks in the short term and doesn't consider long-term consequences of actions
- » Tries to appear calm and comfortable in spite of stress

Let's talk about Wendy

## Wendy's Financial Behavior

		
<b>WENDY</b>		
gender	age	status
Female	35	Single mother
family		
Son: Chris, 12		
location	job	employer
Southhaven, MS	Administrative Asst.	W&S Distributors

### FINANCIAL BEHAVIORS

- » Does not have access to credit so has to use alternative methods to make big purchases
- » Has little restraint when it comes to spending and often buys things she can't afford
- » Loves technology and often buys the newest gadgets soon after they come out
- » Has figured out creative ways to stretch the value of the dollar and make a few bucks on the side by doing taxes for friends or reselling items from yard sales
- » Talks about making changes and starting to save but lacks motivation and never follows through
- » Is "interested" in products or services that would help her get her finances in track but feels that they would have to be really easy or rewarding

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"I don't want to just work to pay the bills. I want to enjoy life while I have the chance, even if it means more debt."

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Let's talk about Wendy

## What happened to Wendy?



### Last Week

- Her Job moved offices and she now has to drive her car to work – where she was previously taking the bus

### Current Situation

- She just finished paying for her son's school trip
- Just learned that she received another over draft fee from the bank

### Unexpected Expense

- She tire below out on the way to work today
- Learns that she needs to replace all 4 of her tires as soon as possible

Paycheck-to-Paycheck Reality:

## Covering Unplanned Expenses- The Problem

### Use Emergency Funds

But 58% of Americans don't have \$1,000 in savings

### Obstacles to Saving

- High Cost of Living
- Low Salary
- Debt
- Not Budgeting
- No Savings Account
- Paying for Non-Essentials



## Covering Unplanned Expenses – The Options

- ☐ Paying cash or using prime credit card
- ☐ Borrow from family or friends
- ☐ Take money out of their retirement fund
- ☐ Getting a loan from a bank – if they can qualify
- ☐ High-risk credit options
  - Add to existing credit card – end up carrying that debt for years
  - Rent-to-own products
  - Payday/title loans

## Looking closer at the High-Risk Options

### Credit cards

- Carry debt for years before it's paid down
- Average credit card debt per adult is \$5,839

### Rent-to-own

- Can end up paying 3X value before owning

### Payday/Title loans

- High percentage rates and fees with short payment schedule

## Mounting Credit Card Debt

### The danger of credit cards

- Buying things we can't afford
- Steep annual percentage rate
- Making minimal monthly payment

#### Did you know?<sup>2</sup>

- 30% of employees use credit cards to pay for monthly necessities because they couldn't afford them otherwise
- 49% consistently carry balances on their credit cards

### Credit card debt builds up

- A record high – exceeding pre-recession
- Average credit card debt per household - \$8,169<sup>1</sup>

1. The Balance.com, "Average U.S. Credit Card Statistics: Is Your Credit Card Debt Higher Than Average?" Kimberly Amadeo, Jan. 22, 2019.  
2. 2018 PWC Employee Financial Wellness Survey.

## Working Americans Are Still Struggling Financially

Americans owe 5% more today than at the onset of the Great Recession<sup>1</sup>

Almost half of Americans can't pay for basic needs

- 4 in 10 Americans struggle to pay for at least one basic need such as food, housing, healthcare or utilities<sup>2</sup>
- Food insecurity is the most common hardship<sup>3</sup>
- Many middle-class families struggle to meet basic needs<sup>4</sup>

<sup>1</sup> *FoxBusiness.com*, "10 Years Later- How Has America's Consumer Debt Changed Since the Financial Crisis?" Motley Fool, Sept. 23, 2018.

<sup>2, 3</sup> *MarketWatch*, "40% of Americans Struggle to Pay for at Least One Basic Need Like Food or Rent," Quentin Fottrell, Sept. 23, 2018.

<sup>4</sup> *CBSNews.com*, "Almost Half of Americans Can't Pay for Basic Needs," Aimee Picchi, Aug. 28, 2018.

## Financial Stress by the Numbers

### The Reality:

47% of employees are stressed dealing with their financial situation  
41% say that their financial stress level increased over the last 12 months<sup>1</sup>.

### The Problem:

78% of American workers report that they're living paycheck-to-paycheck  
Nearly 10% of Americans with salaries of \$100,000 or more live paycheck-to-paycheck as well.<sup>2</sup>

### The Why:

The typical American worker today earns \$44,500 a year, not much more than what the typical worker earned 40 years ago, adjusted for inflation.<sup>3</sup> Further, there is a lack of emphasis on savings, as the measure for a healthy economy is spending.

<sup>1</sup> PwC, "Employee Financial Wellness Survey: 2018 Results," May 2018.

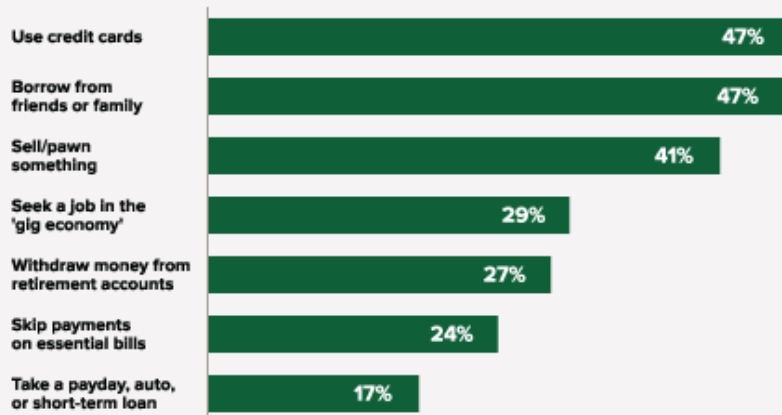
<sup>2</sup> CNBC.com, "Shutdown Highlights that 4 in 5 U.S. Workers Live Paycheck to Paycheck," Emmie Martin, Jan. 9, 2019.

<sup>3</sup> The Guardian, "Almost 80% of US Workers Live from Paycheck to Paycheck. Here's Why," Robert Reich, July 29, 2018



## Covering One Missed Paycheck

### How Workers Respond to Missing Paychecks



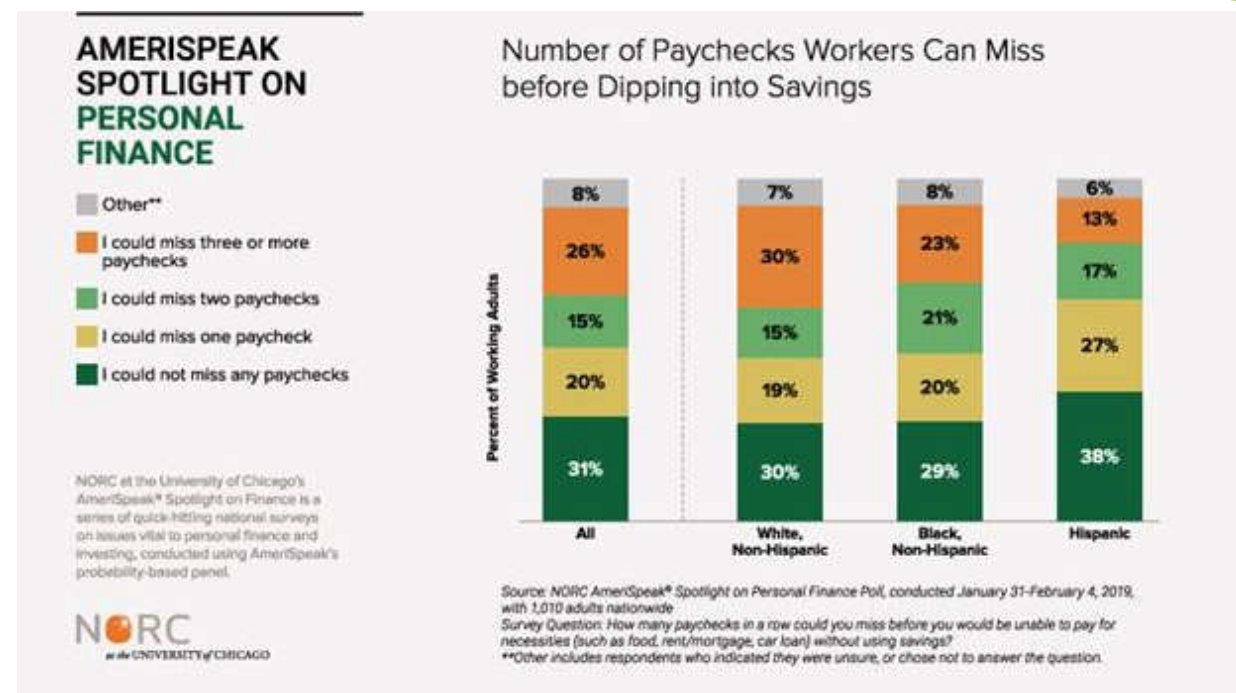
Source: NORC AmeriSpeak® Spotlight on Personal Finance Poll, conducted January 31-February 4, 2019, with 1,010 adults nationwide  
Survey Question: If your household missed paychecks and you had no additional savings, where would you get money to pay for essentials (such as food, rent/mortgage, car loans)?

1. Savings
2. Cut spending on non-essential items
3. Credit cards – 46%
4. Borrow from family or friends
5. Short-term loan, such as payday or auto (nearly 20%)

1. They carry interest rates upwards of 600% and can easily sink borrowers into an inescapable debt cycle.<sup>12</sup>

## They Are Living Paycheck-to-Paycheck

- 51% of working adults would need to access savings if they missed more than one paycheck.<sup>5</sup>
- Nearly one-third (30%) of Americans are within three paychecks of needing to either borrow money or skip paying one or more bills.<sup>6</sup>



<sup>5</sup> MSN.com, "Half of Americans Are Just One Paycheck Away From Financial Hardship," Jacob Passy, May 16, 2019.

<sup>6</sup> Northwestern Mutual, 2019 Planning & Progress Study, June 12, 2019.

## And Where You Live Matters Too

### Ability to save for emergencies varies by zip code<sup>7</sup>

#### The Best

Memphis, TN  
Cincinnati, OH  
Cleveland, OH  
Pittsburgh, PA  
Detroit, MI  
Oklahoma City, OK  
Indianapolis, IN<sup>\*</sup>  
Buffalo, NY  
St. Louis, MO  
Louisville, KY

#### The Worst

San Jose, CA  
San Francisco, CA  
Los Angeles, CA  
San Diego, CA  
New York, NY  
Portland, OR  
Boston, MA  
Seattle, WA  
Miami, FL  
Sacramento, CA

In a high housing cost area – no non-essential expenses for 3 years still won't accumulate enough cash for recommended emergency fund<sup>8</sup>

Cheapest metro areas – need a year or more penny-pinching to save enough for 6 months worth of expenses<sup>9</sup>

<sup>7, 8</sup> Bankrate.com, "The Best and Worst Metros for Savers 2019," Adrian D. Garcia, May 13, 2019.

<sup>9</sup> BenefitsPRO.com, "College Debt Sinking Worker Well-Being, Boomer Retirement Savings," Marlene Satter, Feb. 8, 2019

## They Need Financial Flexibility

Employees' money issues are widespread

They need financial flexibility – the ability to manage expenses and make everyday life affordable

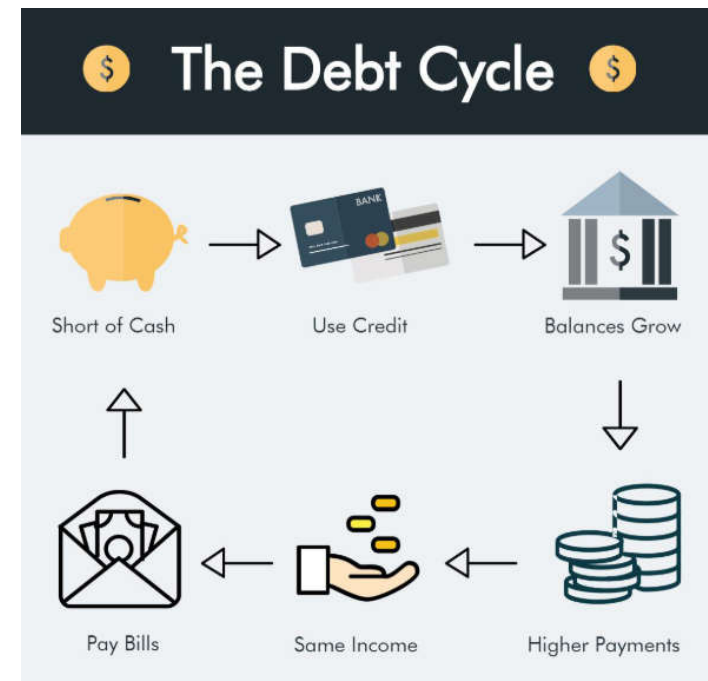
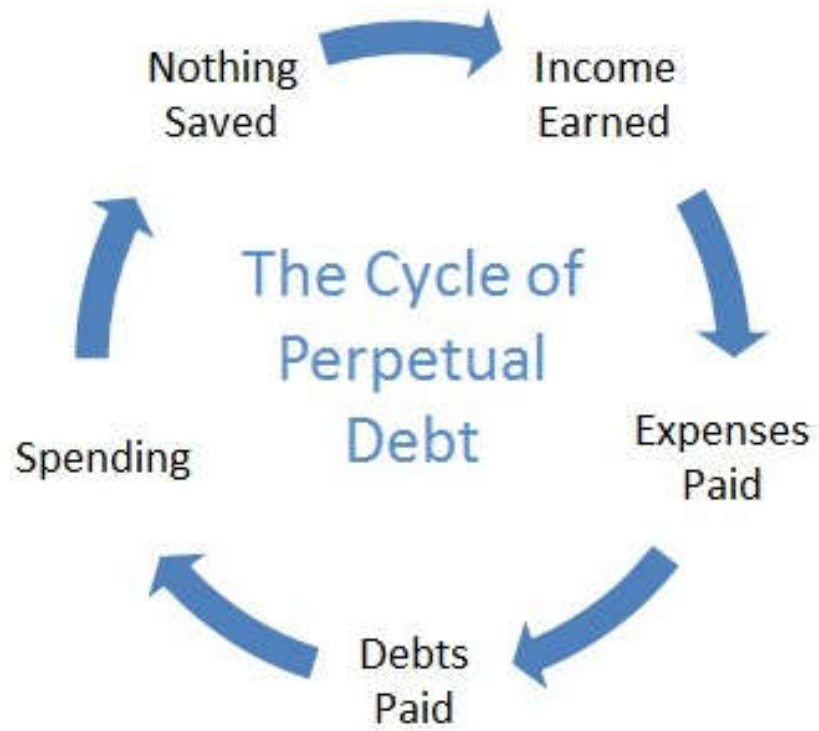
## But What Is Financial Flexibility?

Finding ways to make money do more by:

- Following a monthly budget
- Being wise shoppers
- Utilizing employer-offered financial wellness tools
- Taking advantage of employer-offered voluntary benefits
  - Financial counseling
  - Student loan refinancing programs
  - Employee purchase programs
  - Payroll-deducted savings programs



## A Perpetual Cycle of “Catching up”



## The cost of being financially strapped & Stress!



It's Physiological

It's Emotional

It's Psychological

## Employee Financial Issues Affect Their Job

- 25% of employees are distracted at work by their finances
- 43% of those say they spend 3 or more hours at work each week thinking about or dealing with their personal finance issues

*Add that up =*

**150 hours** per year of lost productivity for employees who spend 3+ hours per week at work on their personal financial issues

## Impact of Employee Financial Stress on the Workplace

Increased absenteeism: 34% increase in absenteeism and tardiness

Lower productivity: Not working a full capacity affects employers' bottom line

Higher healthcare costs:

- Stress manifests physically in heart disease, migraines, obesity and accelerated aging
- 1 in 5 people put off or consider skipping healthcare visits due to cost
- Ignoring symptoms and not scheduling preventive care = higher healthcare costs

## How You Can Help

Help employees work toward financial flexibility so their money can do more by:

- Providing financial education tools and resources
  - How to make and follow a monthly budget
  - Advice on debt reduction
  - How to be wise shoppers
- Offer a variety of financial wellness-related voluntary benefits



## How You Can Help

Help employees work toward financial flexibility so their money can do more by:

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## Financial Flexibility Benefits

### Student loan repayment benefit programs

Employers make contributions to loan balances

Employers provide ways for employees to refinance their debt

### Low interest installment loans and credit

Helps employees avoid payday loans and cash advances from credit cards

### Bill payment programs

Empowers employees with debt paydown strategies and the ability to make recurring bill payments on-time each month through payroll deduction

## Financial Flexibility Benefits

### Employee purchase programs

- Consumer products and services through payroll deduction when they are unable or prefer not to use cash or credit
- An alternative to high interest credit cards and other sub-prime financing options

### Automated savings programs

- Payroll deduction savings allows employees to save a little each month and build an emergency fund

## Financial Flexibility is a Win-Win

### For the employee

Today's employees want their money to do more

They want tools, benefits and resources that help them leave a paycheck-to-paycheck world behind

### For the employer

Less financially-stressed employees are happier

Result is more engaged, productive employees which means increased bottom line for employers

And That's a Wrap

Thank you for attending

## Let's Connect



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