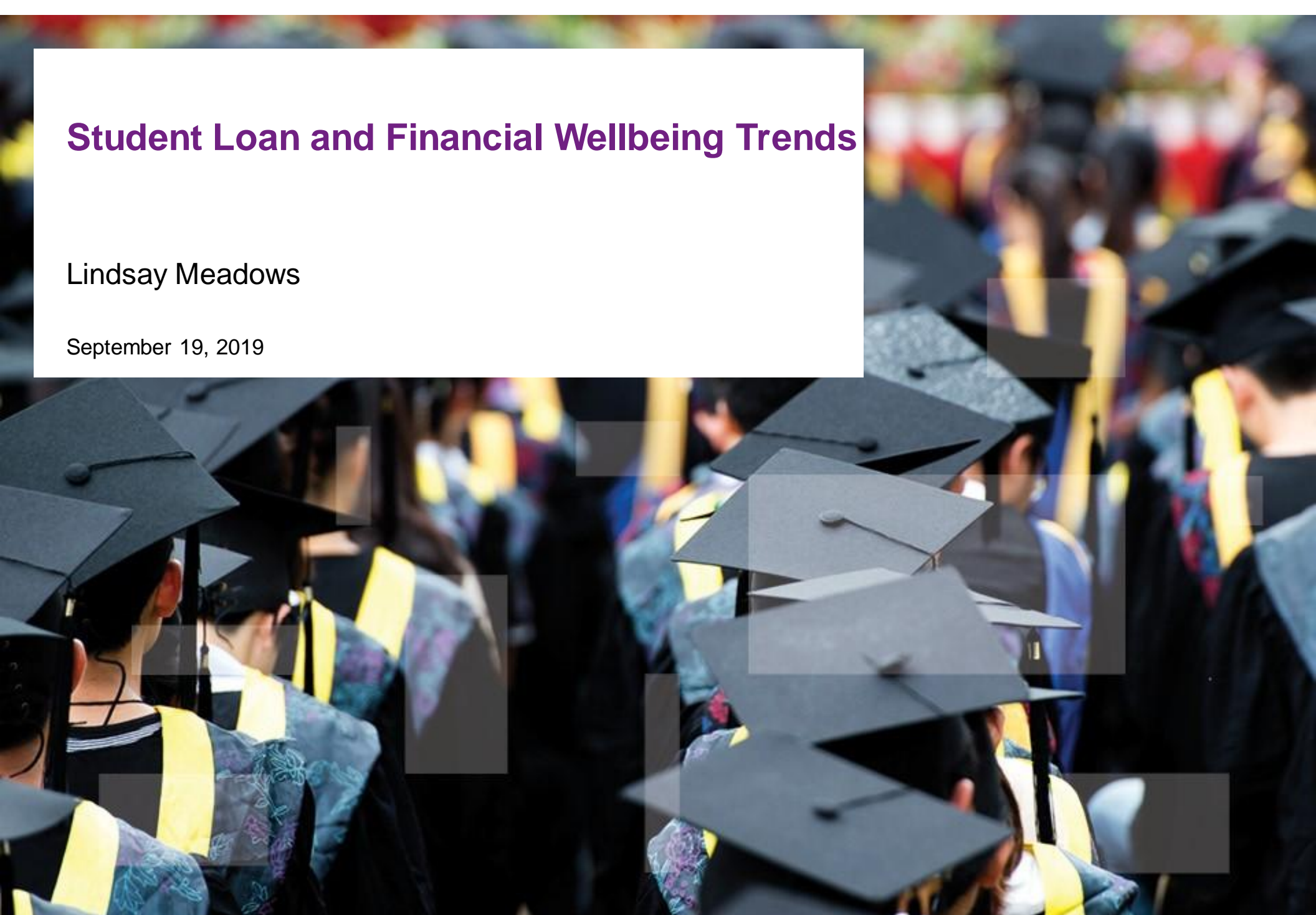


Student Loan and Financial Wellbeing Trends

Lindsay Meadows

September 19, 2019



Student Loans – Startling Statistics

\$75B – new student debt taken out in 2014 – 2015

\$57B – new student loan debt taken out in 2016 – 2017¹

56%

From 2004 to 2014, students' average debt at graduation rose⁵

Among respondents reporting that they currently owe student loan debt for their own education, the mean level of debt is \$32,731, the median is \$17,000⁶

The average student in the Class of 2016 has **\$37,172** in student loan debt.⁷

Borrowers in their 30s and 40s had highest loan balances, averaging **\$31,000**⁴

In 2015, 50% of borrowers had payments of \$203 or lower & another 25% had payments between \$203 and \$400³

\$1.48

trillion in total U.S. student loan debt²

Americans over 60 years old are the fastest-growing category of student loan borrowers, having roughly quadrupled in number between 2005 and 2015. They're more likely than younger borrowers to be behind on payments. Most are repaying debt they took out to help finance the education of their children or grandchildren, though some are still paying off their own tuition.⁸

Sources:

1-Total Annual Amount Borrowed in Federal Loans over Time – Trends in Higher Education – College Board – May 2018

2-Federal Reserve.gov – Q 2017

3-Federal Reserve Bank of Cleveland – May 2016

4 – National Journal, The Five Things You May Not Know About Student-Loan Debt, April 2015

5 - US News and World Report, 2014 Graduates Had Highest Student Loan Debt Ever, Oct 2015

6- Federal Reserve - Report on the Economic Well-Being of U.S. Households in 2016 - May 2017

7- Forbes - Student Loan Debt In 2017: A \$1.3 Trillion Crisis – February 2017

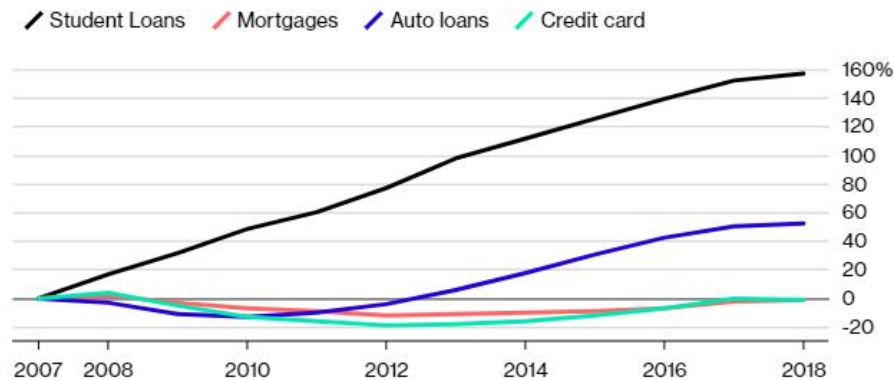
8- Politico – Why AARP is worried about Student Loans – June 6, 2018

Student Loan Debt Growth

Student loans have seen almost 157 percent in cumulative growth over the last 11 years. By comparison, auto loan debt has grown 52 percent while mortgage and credit-card debt actually fell by about 1 percent, according to a Bloomberg Global Data analysis of federal and private loans.

Student Debt Just Keeps Growing

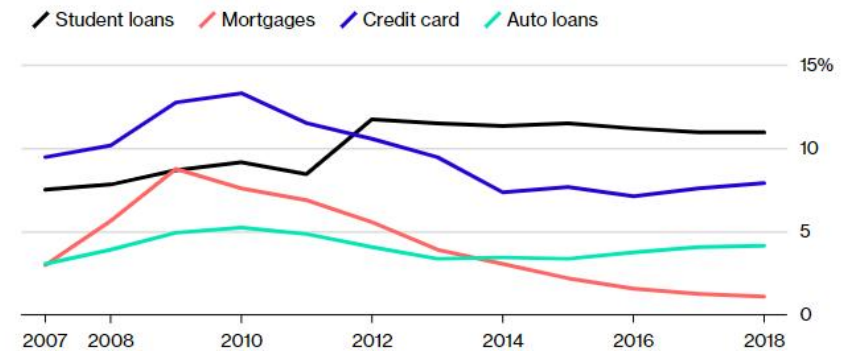
Student loans are the fastest growing segment of U.S. household debt, seeing almost 157 percent growth since the Great Recession.



Source: Bloomberg Data

Student Loan Delinquency Rate Remains Close To Post-Recession High

Student loans currently face the highest 90+ day delinquency rate of all household debt, including mortgages, credit cards and auto loans.



Source: Bloomberg Data

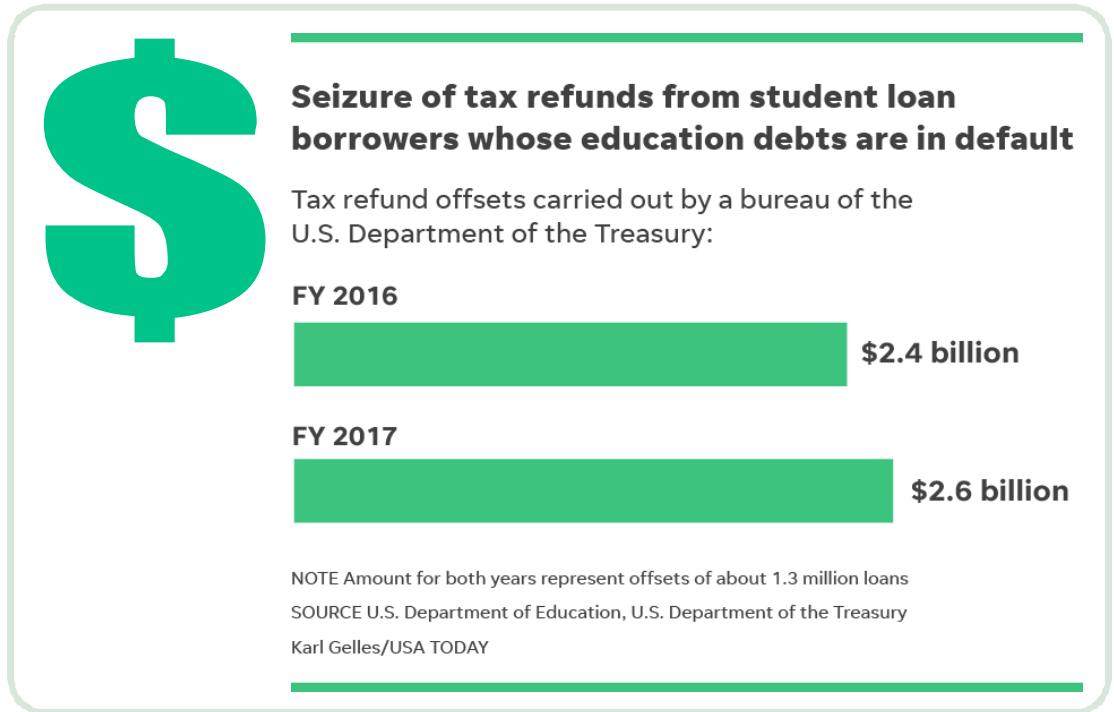
Source: <https://www.bloomberg.com/news/articles/2018-10-17/the-student-loan-debt-crisis-is-about-to-get-worse> accessed October 20, 2018

Impacts of Student Loan Debt

Student loan debt can have numerous tangible negative impacts for individuals in addition to the emotional strain that can impact productivity.

Impacts include:

- Delaying contributions to 401(k) accounts (or making smaller contributions during key years)
- Limited HSA contributions
- Fewer home purchases
- Delayed retirement
- Negative impacts to credit scores
- Wage & tax garnishment



Student loan management: an emerging employee benefit

Employer Goals for Offering These Programs:



Deliver a unique **attraction and retention** tool, especially for Millennials. As the economy improves and labor force tightens, this type of benefit serves as a key marketplace differentiator

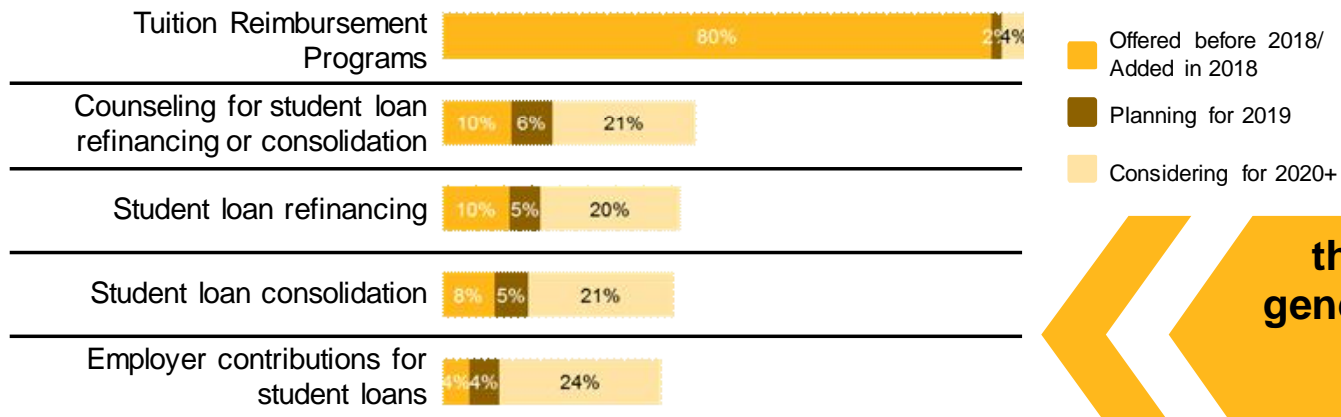


Support employee **financial wellbeing**
Promote a more productive and engaged workforce by helping to reduce personal financial pressures and obligations



Brand lift
to the whole organization

Offer Rates: Student Loan and Tuition Benefits

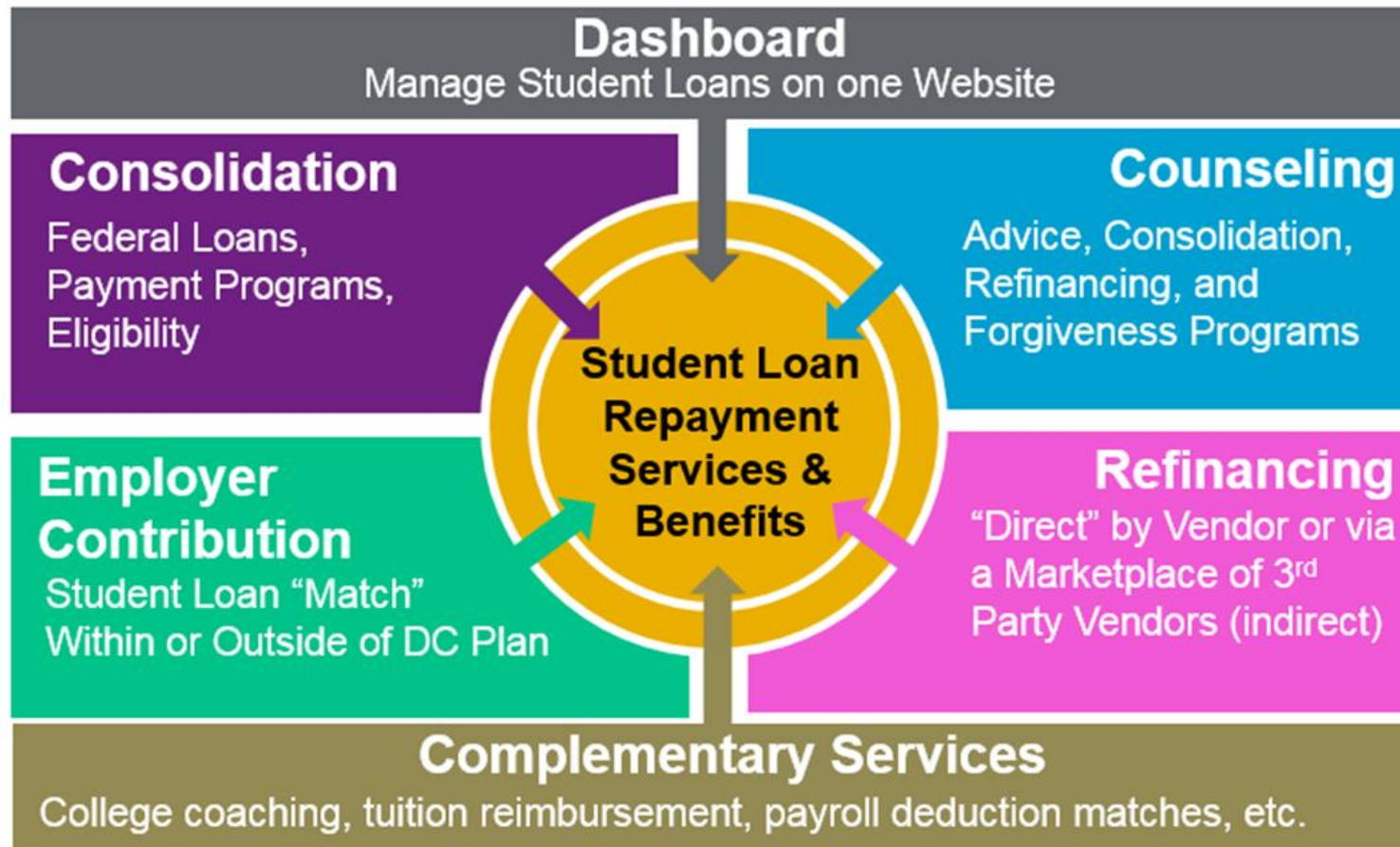


Student loan employee benefit programs are emerging as a new benefit category, however the offerings employers have generally focused on to date do not have a direct tie to retirement savings

Source: 2019 Willis Towers Watson Voluntary Benefits Survey

There is a Range of Student Loan Repayment Services and Benefits

Growing Number of Vendors and Options to Consider to Help Support Broader Strategy



Employers are continuing to focus on financial wellness programs that address their employees' needs.

Adding or expanding the student loan benefit program is just one part of a broader wellness strategy.

Student Loan Programs

Examples

- Abbott Labs
 - Treats student loan repayments as an eligible 401(k) contribution for purposes of earning the company match
 - Similar approaches have recently been adopted by Raytheon and Travelers
- Unum
 - Employees can choose to “cash out” up to a week of vacation that will be converted to cash and directed to student loan repayment
- Hartford
 - Provides up to \$10,000 toward student loan debt using direct payments to the loan providers and has launched a counseling and refinancing partnership benefit
 - Similar approaches at Aetna (\$2,000/year) and PWC (\$1,200/year)

Student Loan Vendor Landscape

2019 RFI Vendors*

- BenefitEd (Ameritas & Nelnet)
- Bright Horizons
- ChangEd
- Citizens Bank
- College Ave
- CommonBond
- Credible
- Darien Rowaytan Bank (now Laurel Road)
- Earnest
- Fidelity
- FutureFuel
- GotZoom
- Gradifi
- Gradvisor
- IonTuition (Cennate)
- Leaf
- LendKey
- Peanut Butter
- People Joy
- Savi
- SoFi
- StuLo
- Vault (previously Loan Genius)
- Tuition.io



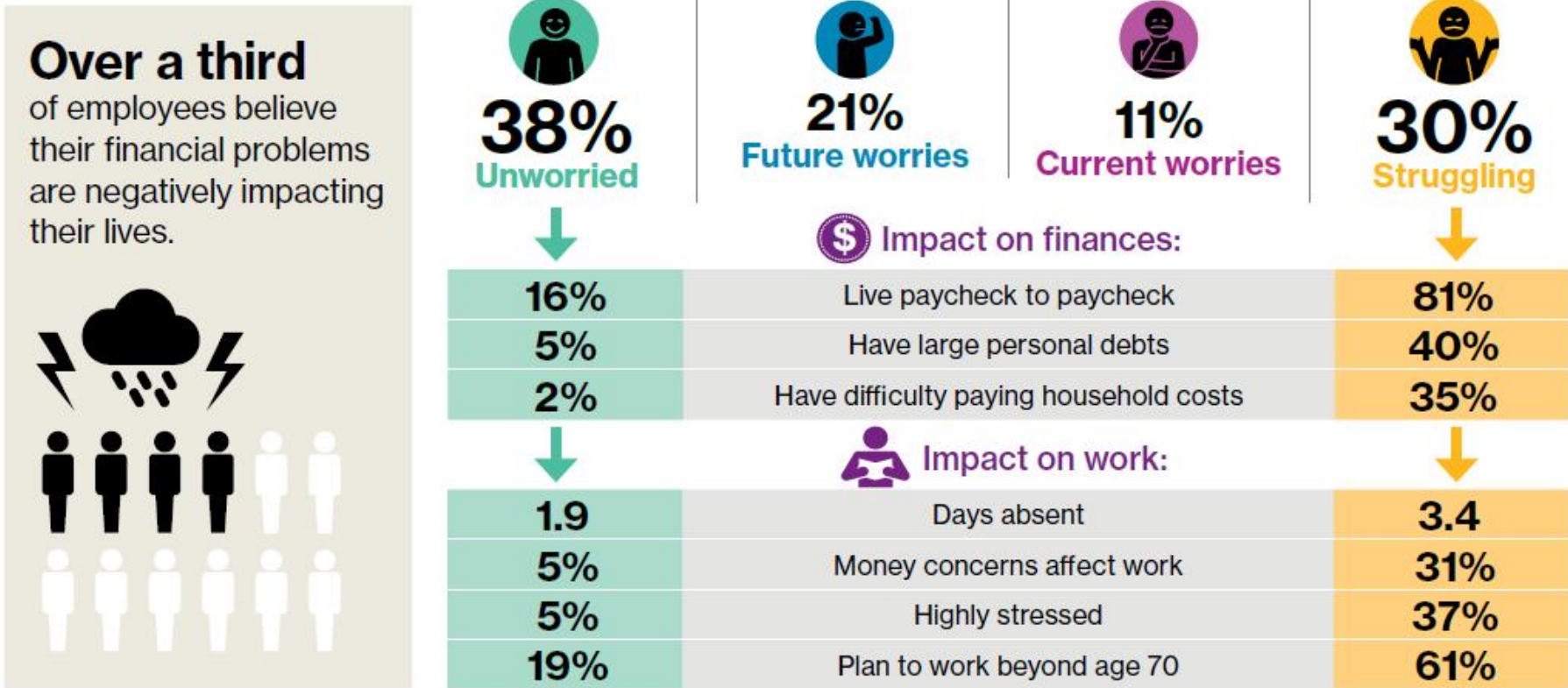
Next steps

- Education benefits
 - Assess current goals, particularly how education benefits may fit with broader wellbeing goals
 - Key vendor identification based upon both short and long term goals
 - RFP process
 - Vendor negotiation
 - Implementation
 - Ongoing management

- Broader financial wellbeing strategy
 - Develop a broader financial wellbeing strategy that aligns with talent management and total rewards strategies
 - Analytics and employee sensing
 - Strategy and roadmap
 - Vendor selection, plan design
 - Communication and engagement

Impact of financial worries on business results is significant

Satisfaction with financial situation decreased after six years of continuous rise



Employer Trends: Broader Employee Financial Wellbeing Strategy

Design Overall Program to Align with Talent Management and Total Rewards Strategy



Measure

Use employer HR data to monitor signs of financial stress (e.g., loans, hardship, opt-out of 401(k)) by workforce segment and pivotal financial decision points



Set and track specific metrics and objectives for use of financial wellbeing program at pivotal financial decision points (e.g., new family, first home, young children) and segments most at-risk



Decision Support

Offer one-on-one financial counseling on short term financial issues (e.g., in person or telephonic)



Offer and promote personalized financial decision-support to track and set goals for spending, borrowing and saving



Debt Management

Offer subsidies towards payoff, refinancing, of student loans and/or first home



Offer and monitor negotiated group rates and terms for borrowing or refinancing that are better than available direct to consumer lending options



Connections

Offer and promote family financial decision making and relationship financial stress resilience skills



Connect financial decision support with relationship/emotional skills support and medical cost management



Sample: Companies with at least 1,000 employees

Source: 2019 Willis Towers Watson Best Practices in Health Care Employer Survey

■ Offer in 2018

■ Planning to add for 2019

■ Considering adding for 2020

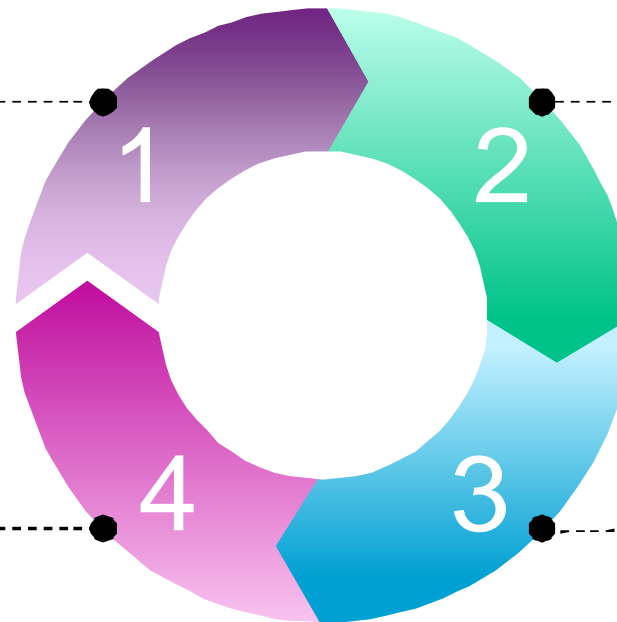
Financial wellbeing program development includes four phases

Analytics and employee sensing

- Financial wellness, retirement readiness and/or debt analytics by segment
- Associate surveys and/or focus groups

Communication and engagement

- Communications strategy and campaign
- Integration across pillars of wellbeing



Strategy and road map

- Objectives and priorities
- Inventory and utilization
- Wellbeing diagnostic
- Persona development and gap assessment
- Multi-year road map

Vendor selection, plan design

- Technology, financial coaching and/or other vendor searches
- Debt management and/or student loan vendor search and design
- Plan design support

Step 1: Understanding your employees' needs with analytics

Diagnostics using actual HR data and proven indicators of financial stress



Which operations have the highest concentration of financial stress?

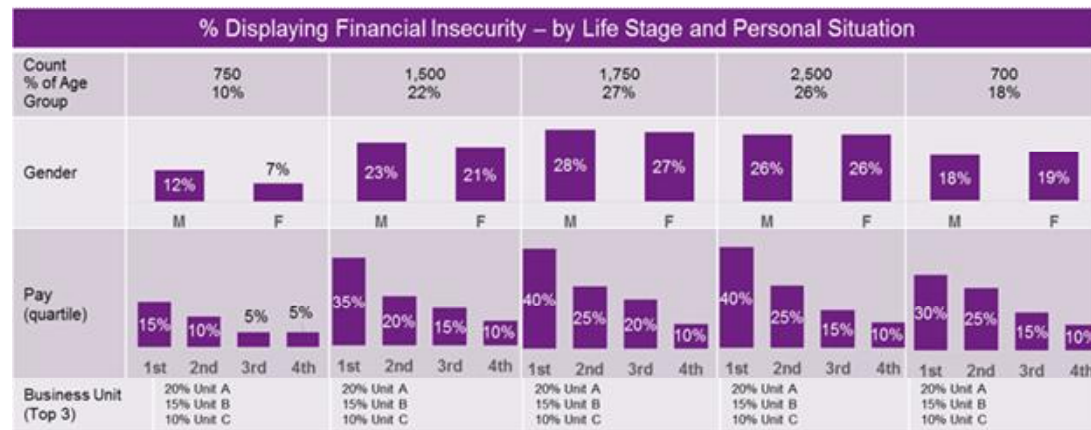
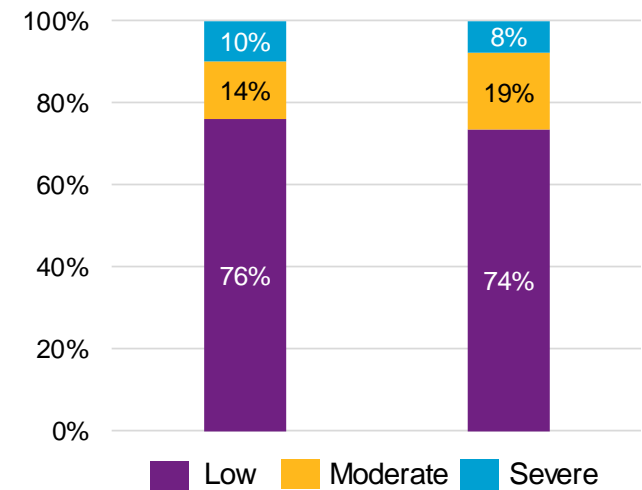


What family situations and stages have high concentrations of stress?

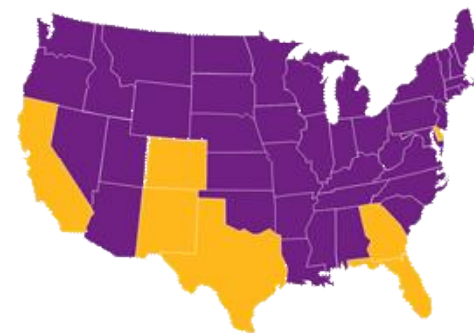


Focus initiatives to have the highest effect and value for these segments.

Financial Stress Company XYZ Benchmark



Highest percentage of financially stressed



| Top 5 MSAs | % | # |
|------------|-----|-----|
| ABC, PA | 50% | 250 |
| DEF, TX | 40% | 200 |
| GHI, NM | 35% | 75 |
| JKL, GA | 30% | 50 |
| MNO, CA | 25% | 225 |


Step 2: Building a business case and a roadmap

| | Currently Offered | Possible Gaps | |
|--------------------------|--|--|--|
| Show me the Money | <ul style="list-style-type: none"> Commuter account Dependent care FSA New baby program College coach Discount programs Medical care transparency & virtual Dr Tuition reimbursement | <ul style="list-style-type: none"> “Ask an expert” on debt-spending-saving Borrow cheaply with preferred rates & terms Spending-saving-debt decision support tool with personalized promotion of ways to save | <p>“Ask an Expert” (i.e., financial counselor) on Spending/Saving/Borrowing</p> <p>Borrow Cheaply with Preferred Rates & Terms</p> |
| Reduce my Risk | <ul style="list-style-type: none"> HSA with seed, FSA Pet insurance Medical & critical illness insurance Back-up child care Identity theft monitoring | <ul style="list-style-type: none"> Build my emergency savings with increased convenience through technology, banking, and decision support | <p>Build Emergency Savings</p> |
| Build my Wealth | <ul style="list-style-type: none"> HSA with seed 401(k) with match & Roth Retirement planning modelers Investment guidance Executive financial planning | <ul style="list-style-type: none"> “Ask an expert” on debt-spending-saving Spending-saving-debt decision support tool showing tax savings of Roth vs. pre-tax vs. HSA | <p>Spending / Saving / Borrowing Decision & Navigation Tool</p> |
| Protect my Family | <ul style="list-style-type: none"> Health assessment incentive Property & renter’s insurance Health coach Family medical insurance Disability & Life insurance Elder care Prepaid legal | <ul style="list-style-type: none"> Family spending-saving skills that support family health Spending-saving-decision support tool for spouse/partner and household income Longevity risk modeler “Ask an expert” on longevity protection “Ask an expert” on long term care protection | <p>Family Spending/Saving Skills (i.e., financial counselor / family relationship communication counselor)</p> |
| Help me Find It | HR Portal | “In the moment” promotion of relevant programs | |

Step 3: Selecting and supporting solutions

| | |
|--|---|
| Financial wellbeing vendor search and assessment | Key vendor identification to support both short and long term goals, RFP process, vendor negotiation and implementation support |
| Plan design support | Support decision with plan design in the 401(k) plans: student loans, sidecar accounts, HSA, match, non-elective, re-enrollment, auto-escalation. |
| Measure results with scorecards | Implement scorecard to measure progress by segment and articulate value to business. |

WTW financial wellbeing tools and partnerships




myFiTage


Shane Bartling, when will you reach financial independence?

Find your financial independence target, or FIT Age. Make your money last with FIT Lifetime. And stay on track with FIT Scores.


Get started with MY DATA or Get started with VIDEOS [explain these](#)




FIT Age




FiT Lifetime




my Spending



Emergency Fund



Net Worth



my Debt



All Financial Coaches:

- Have CFP® designation
- Minimum 10 years of financial planning experience
- 100% Unbiased
- Pass an eight-step recruiting process
- Certified on all of your company's employee benefits
- Additionally trained in psychological and behavioral finance techniques
- Must agree to a set of service delivery standards as a condition of employment and are benchmarked to these standards on a quarterly basis

TEAM CREDENTIALS INCLUDE:

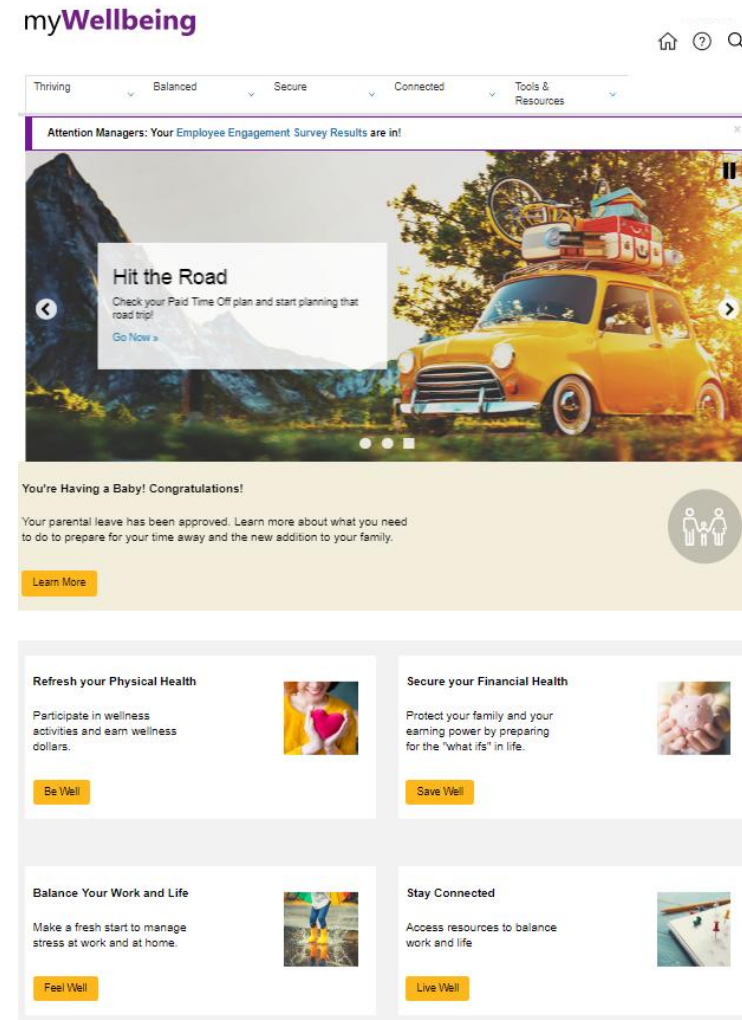
CFP® | CPA | CFA® | PhD | JD | MFP | MSFS | MBA | ChFC | PFS | AFC | CEBS

Step 4: Engaging employees via communications

Success to employees engagement depends on many factors:

- Develop an engagement strategy
 - Expand on current campaigns through a comprehensive employee engagement and change management plan that builds awareness of the enhanced wellbeing strategy and drives the desired behavior change.
 - Strategy is informed by analytics, connected to the overall financial wellbeing philosophy, the state of employee financial readiness and existing tools and communication channels
- Connect across all pillars of wellbeing
 - Develop a recognizable brand with consistent visuals and messaging that resonates with employees specifically, is immediately recognizable and can be applied consistently across all aspects of wellbeing.
- Engage internal partners
 - Identify and engage leaders and champions. Define and clearly communicate expectations across leadership levels, deliver leadership messaging tools and establish the communication cascade.
- Develop and launch communication and engagement campaign

Engage via Employee Portal



Key Practices That Leading Organizations Use

1 Know your employee population by using data-driven insights from multiple sources.

2 Meet employees where they are and where they are going by providing choice and personalized solutions that connect with employees' priorities and needs.

3 Create a multi-year roadmap that prioritizes high-value and impactful solutions first.

4 Develop a strong branding strategy, including consistent messages about what wellbeing means, supported by a multichannel delivery approach seeking to maximize engagement.

5 Develop a holistic wellbeing strategy by integrating physical, emotional, social and financial wellbeing into the employee experience.

2019 Employee Financial Well-being Conference

Willis Towers Watson is the lead sponsor of this event offered by The Conference Board.

December 5 – 6, 2019

Dallas Marriott City Center, Dallas, TX

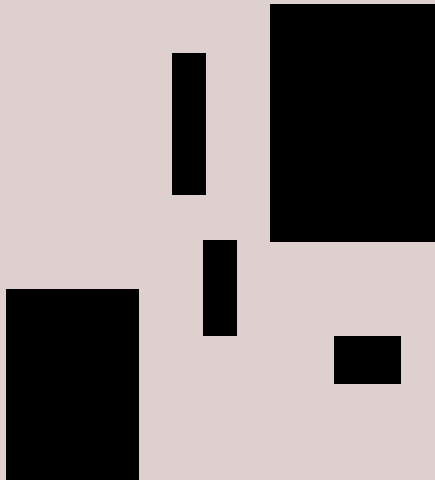
Use code WTW35 for 35% off registration

More details at [conference-board.org/conferences](https://www.conference-board.org/conferences)

Contact Information

- Lindsay Meadows
 - Associate Director, Retirement
 - Financial wellbeing specialist
 - Lindsay.Meadows@willistowerswatson.com

Appendix



What is Financial Wellbeing?

Financial wellbeing is the state of being in a **financially secure** position and **confident** enough to be **productive** at work, to plan and achieve a **timely retirement** and to make the connection between **health and wealth**.

Achieving the state of being financially “secure” means:

- Have the financial ability to manage financial commitments
- Meet financial goals
- Protect against risks
- Save for contingencies or future needs like college or retirement
- Cope with financial shocks

