

RETIREMENT SERVICES

Employee  
perspectives  
on financial  
wellness:

INSIGHTS ABOUT  
HOW INDIVIDUALS SAVE,  
INVEST AND MANAGE  
THEIR EXPENSES





Understand the financial and retirement planning concerns and challenges of individuals as they save, invest and manage their personal expenses.



**THOUGH INFLATION HAS BEEN GRADUALLY IMPROVING, THE SURVEY DATA FINDS THAT REDUCED PURCHASING POWER MAY BE CONTRIBUTING TO HIGHER ANXIETY ABOUT LIVING EXPENSES.** The survey indicates a significant number of respondents describe themselves as overwhelmed and fearful about their personal financial situation. Still, the majority continue to save for retirement in their employer plan, but current account balances and savings rates indicate many may fall short of meeting their future financial needs — especially those approaching retirement. Individuals find certain aspects of retirement planning to be complicated, such as defining a savings goal, understanding Social Security and how to make their savings last. Personalized retirement planning assistance and investment guidance could help savers overcome these challenges.

## Key insights

- The majority of those surveyed are positive about their finances. However, nearly 4 in 10 say they feel overwhelmed, anxious or fearful about their financial situation.
- Affording everyday needs has become the top financial concern, possibly due to continued inflation and economic uncertainty.
- Most are not on track for retirement — 60 percent are substantially under saving for their future needs, and individuals near and approaching retirement are especially at risk.
- Few get professional assistance with retirement planning and investing.

## Overall the financial outlook is positive

Most of those surveyed feel optimistic about their finances but could benefit by improving basic financial skills. The majority (57%) have a positive outlook about their financial situation, describing it as improving, confident or under control. Still, a substantial number (39%) report feeling financially overwhelmed, anxious or fearful. Concerns about continued inflation (22%) and economic uncertainty (18%) may be contributing to other immediate financial concerns like debt and overspending (30%).

Fortunately, few have reduced or stopped 401(k) contributions (11%) or borrowed from their retirement account (7%). Approximately half actively track expenses, and have balanced their finances by trimming discretionary spending on entertainment (53%), everyday expenses (50%), vacations (40%) and by putting off large spends (37%).

Forty-three percent have revolving credit card debt of \$1,000 or more.

## Increased concern over everyday expenses

Managing everyday expenses is a greater concern than in the past. In previous surveys, respondents worried the most about retirement saving and healthcare costs. But 2023 finds daily living expenses (42%) the top financial issue, followed by saving for retirement (35%) and healthcare costs (22%).

Many respondents blame housing (41%) and daily living expenses (40%) for not saving and investing more, while credit card debt (21%), child care (12%) and medical expenses (12%) also play a role. Just 16 percent report no obstacles to saving.

## FINANCIAL WELL-BEING: TOP CONCERNS



39%

of respondents report

feeling overwhelmed, anxious or fearful

about their financial situation

## Retirement savings falls short

Most of those surveyed participate in their company retirement plan (75%), however based on current account balances and savings rates, many may fall short of meeting their financial needs in retirement. Thirty percent contribute less than 6 percent, and 8 percent contribute 3 percent or less. The 1 in 4 that don't participate in their 401(k) say they cannot afford to save (11%) or plan to rely on other savings in retirement (6%).

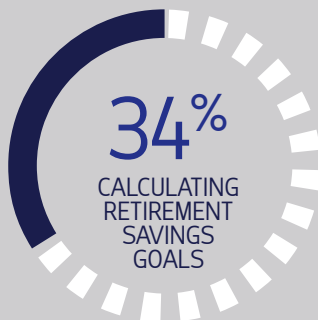
Though many 401(k) plans make financial education resources available to participants, individuals continue to struggle with retirement planning, and few have a formal financial plan with savings goals, milestones and timelines (13%). Determining how much to save for retirement (34%), outliving retirement savings (16%) and projecting future expenses (15%) are specific areas of difficulty. Individuals need help with other areas of their personal finances as well — over a third don't know how to make a financial plan, and 20 percent find it hard to maintain a budget.

## Use of financial and retirement resources

Only half of survey respondents are aware of financial tools available through their employer, though it is likely that many offer such resources. Of this group, the retirement savings (45%) and health savings account (29%) calculators as well as the retirement planning (42%) and investment education (27%) resources are regularly used. Individuals typically get answers about benefits from their plan website (46%) or customer service representatives (43%), and prefer to learn about benefits or investing at in-person seminars (32%), by email (23%) and virtual meetings (14%).

Almost half (43%) of respondents report they currently have a personalized retirement plan with details such as where they will live, estimated expenses in retirement, medical care coverage, and an estimate of the funds they will need in retirement. But according to 25 to 50 percent, their plan has significant gaps in specific areas such as future living expenses (51%), where they will live (28%), and Social Security amounts (27%). Survey participants say they'd like 401(k) plan enhancements like more investment education (22%), personalized investment advice (17%), and help with developing a personalized retirement savings plan (17%).

### RETIREMENT PLANNING CHALLENGES



## Retirement readiness outlook

What's the outlook for retirement readiness? Sixty percent of those surveyed report 401(k) savings of only \$100,000 or less, and most have under \$100,000 in outside savings — including a little more than half of those in their pre-retirement years (ages 50 plus), when prioritizing planning and saving for retirement is key to building future financial security. Twenty-eight percent also believe they are half way or more to reaching their retirement savings goal. Quite a few — 45 percent — haven't calculated or don't know how much they need for retirement, while others estimated their goal based on future expense expectations (22%).

The data indicates Social Security remains an important part of retirement income — 1 in 4 expect it to provide half or more of their monthly income. Forty six percent are informed of their estimated future Social Security payment amount based on Social Security Administration communications (letter, email, website).

## Retirement planning assistance

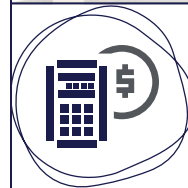
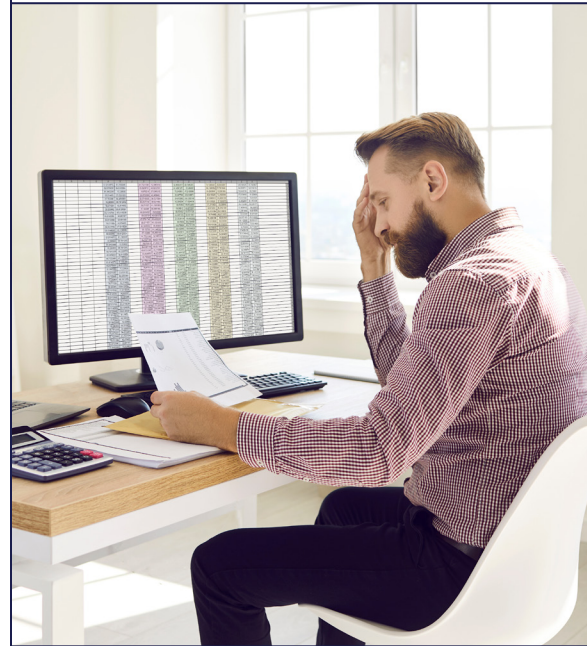
According to the study, there is interest in personalized retirement planning experiences that inform and assist with decisions, and a third of respondents would share personal information such as income, financial objectives and expenses for this service.

Fifty-three percent make their own investing decisions and regularly check their plan investments. Thirty percent of those surveyed express confusion about the retirement plan investment choices. Many take a passive approach to investing by letting a financial advisor (17%), default investment option (16%), or managed account (10%) determine their investments.

Most (44%) rely on themselves to learn about investing. Just 16 percent pay an investment advisor or use the investment advice option in their employer plan (9%). Nearly a third believe investment advice isn't affordable. At the same time, respondents believe professional investment guidance improves returns (25%) and saves time (11%).

## Managing retirement spending

The majority anticipate that their retirement accounts will be used primarily to pay for necessities. Almost a third plan to withdraw money "as needed" in retirement, and 28 percent are interested in an investment that pays a monthly amount or will make monthly withdrawals to pay expenses.



45%

have not calculated  
or don't know  
their retirement savings goal



60%

have \$100,000  
or less in a 401(k)



25%

expect Social Security to  
provide half or more  
of their monthly income



## Conclusion

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### COMPREHENSIVE FINANCIAL WELLNESS PROGRAMS AND FINANCIAL PLANNING SUPPORT ALONG WITH PERSONALIZED EDUCATIONAL PROGRAMS CAN HELP INDIVIDUALS WITH THE COMPLICATED ASPECTS OF SAVING AND INVESTING.

Easy access to individualized financial guidance and resources can uncomplicate retirement planning, empower more informed decisions and positively impact retirement security. These best practices can boost retirement readiness.

- Personalized insights, guidance and education resources can help individuals accurately calculate retirement needs, develop a plan for accelerating savings, understand Social Security benefits and plan strategies for making assets last.
- Financial advisors can develop a custom financial strategy that considers current needs, future goals and personal preferences.
- Financial wellness programs can improve financial well-being with educational resources about budgeting, managing expenses, debt reduction and Social Security benefits.



## Methodology

ADP Retirement Services commissioned a survey to understand individuals' financial management related to retirement savings, investing and personal expenses. An online survey collected data from 1,000 individuals. Retirement Insights, LLC developed and conducted the study, which was completed in September 2023.



# Let's Talk.

For more information about ADP retirement plans and how we design them to be engaging and easier to manage, visit us at [adp.com/401k](https://adp.com/401k).

The research for this white paper was commissioned by ADP Retirement Services. Retirement Insights, LLC developed an online survey that collected data from a sample of 1,000 individuals. The research was completed in September 2023.

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