THE STATE OF FINANCIAL WELLNESS IN AMERICA

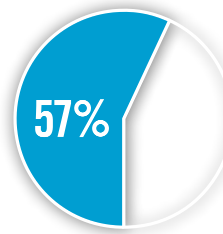
FINDINGS FROM EMPLOYEE SELF-ASSESSMENTS

Prudential's new research[1] sheds light on employees' self-assessment of their financial wellness. Overall, an alarming **57% of employees are very or somewhat stressed about their financial situation**. Among those stressed, the top sources of stress cited include both immediate and long-term concerns about their finances: saving for the future (67%), paying monthly bills (57%), and credit card debt (42%).

These and other aspects of employees' self-assessment indicate that many need help achieving financial wellness. Financial wellness is realized when individuals adopt behaviors that help them achieve the foundational elements of financial security: managing day-to-day finances, achieving important financial goals, and protecting against key risks. In fact, the three elements of financial wellness are interdependent – an improvement in one element can help to improve another.

Using this framework, the following summarizes the state of financial wellness in the U.S. according to employees' self-assessments.[2] For each element, the gauge represents the average number of ideal behaviors (e.g., paying bills in full each month) that employees exhibit as a percentage of possible ideal behaviors. On average, employees exhibit 57% of the ideal behaviors for managing day-to-day finances, 53% for achieving important financial goals, and 27% for protecting against key financial risks.

Employees who are very or somewhat *stressed* about their financial situation



TOP REASONS
for financial stress*

1. Saving for the future (67%)
2. Paying monthly bills (57%)
3. Credit card debt (42%)

*Among respondents who are very or somewhat stressed. Respondents could select more than one reason.

MANAGING DAY-TO-DAY FINANCES

25% Spend full paycheck or more than they make each month.

24% Have less than $1,000 in liquid assets for an emergency.

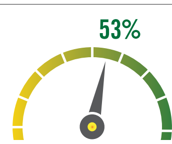
20% Never or sometimes pay bills in full each month.

51% Have monthly debt over $1,000.

25% Always or often worry about being able to meet monthly living expenses.

41% Think their credit score is less than 720; **26%** didn't check score in last 12 months.

ACHIEVING IMPORTANT FINANCIAL GOALS



19% Of those who have access to a DC plan do not contribute.

46% Are not at all or not very confident savings will be sufficient for retirement.

31% Would consider taking a retirement plan loan or withdrawal to cover monthly expenses if emergency funds ran out.

39% Feel very or somewhat unprepared to fund retirement.

16% Think timeframe that is important for saving for the future is in the next few months.

PROTECTING AGAINST KEY FINANCIAL RISKS

65% Could not cover 6 months' expenses if income were lost.

31% Feel very or somewhat unprepared to fund family's lifestyle if they died prematurely.

49% Feel very or somewhat unprepared to fund expenses if disability occurs.

56% Do not have a life insurance policy outside of work.

66% Do not have a written will.

43% Never or rarely plan for large irregular expenses.

1 Prudential, 2017 Financial Wellness Study. Based on a survey of full-time employees who have medical insurance; therefore, the results may appear higher than comparisons to national averages.

2 The gauge positions represent the average number of ideal behaviors exhibited by surveyed employees. The survey included ideal behaviors for managing day-to-day finances, achieving important financial goals, and preparing for unexpected events. The determination of ideal behaviors is based on Prudential's point of view and should not be construed as tax or investment advice. Each individual's situation is unique.

Managing day-to-day finances. The ability to manage day-to-day finances is the underpinning of financial wellness. By maintaining control of their finances, employees are more likely to have the resources necessary to succeed in the other two elements – achieving important financial goals and protecting against key risks. Two important aspects of managing day-to-day finances are paying monthly bills and having an emergency fund. However, one-quarter of employees spend their full paycheck, or more. About one-quarter have less than $1,000 in emergency funds. This may result in some employees being unable to pay their credit cards in full and racking up high interest rate fees or dipping into their retirement plans in the event of an emergency.

Achieving important financial goals. Retirement is one of the most important – and one of the largest – financial goals for which employees have responsibility. It is particularly troubling, therefore, that nearly half (46%) of employees are not at all or not very confident that their savings will be sufficient for retirement. Prudential suggests employees start contributing to their defined contribution (DC) plan at a rate of at least 6% of pay, escalating up to at least 10%, in annual 1% increments. However, survey results indicate that about one-fifth of employees who have access to a DC plan are not contributing at all. These responses are in line with the Bureau of Labor Statistics, which reports that 25% of private sector, full-time employees that have access to a DC plan do not contribute to it.[3]

Protecting against key financial risks. While employees are keenly aware they are responsible for the first two elements of financial wellness, protection may not be top of mind because many underestimate the risks of premature death, loss of income due to illness or injury, and out-of-pocket health care expenses. As a result, when faced with an unexpected life event – such as a disability, critical illness, or premature death – employees or their families may not be able to pay their monthly bills, and may even tap into their retirement plans to help fund the unexpected costs. This lack of priority is apparent in their self-assessment, with about two-thirds not able to cover six months' expenses if income were lost. Moreover, over half do not own a life insurance policy outside of work.

What Employers Can Do to Improve Their Employees' Financial Wellness

Employees' responses indicate that they need help in all three elements of financial wellness, which span short- and long-term needs. Employees increasingly look to their employers to help them achieve financial security and wellness. In fact, Prudential's research found that individuals are more likely to use financial counseling services and tools aimed at budgeting, saving, and investing if those services and tools are offered by their employer.[4]

Many employers are considering implementing financial wellness programs to help employees become financially well. In order to optimize the return on this investment in employee benefits, a good starting point for employers is to gain an understanding of their employees' financial behaviors and needs. Because financial needs may vary significantly from one employee base to another, employers can benefit from implementing an employee self-assessment to learn where their employees need help. The results can be analyzed to help design customized benefits offerings to directly address the wellness of an employee base and tailor educational programs that inspire employees to take action.

This survey was conducted online in the U.S. by Harris Poll on behalf of Prudential between December 8, 2016, and January 17, 2017. The research was conducted among 4,362 U.S. adults aged 21+ who are a household financial decision maker, have health insurance, provided household income and total earnings, and work full-time in the private sector.

3 Bureau of Labor Statistics, "Table 2: Retirement Benefits: Access, Participation, and Take-Up Rates, Private Industry Workers," March 2016.

4 Prudential, Financial Wellness Consumer Research, 2016, and "The Power of the Wellness Effect," 2017.

Prudential is a leading employee benefits provider with extensive experience and expertise in both retirement and group insurance benefits, and in utilizing data analytics to design benefit programs and drive constructive participant behavior. For more information, please contact:

Vishal Jain
Vice President

Strategy and
Financial Wellness
Group Insurance

973-548-7493

vishal.jain@prudential.com

Snezana Zlatar
Senior Vice President

Full Service Solutions
Product and Financial Wellness
Prudential Retirement

732-482-4407

snezana.zlatar@prudential.com

0304415-00001-00 W2432