

# Small business employees

Wellness@Work



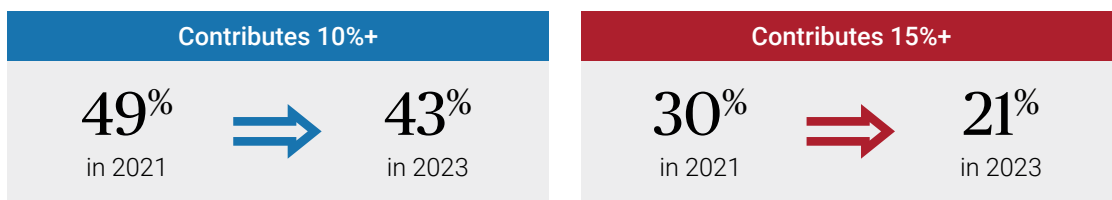
To better understand the challenges facing today's retirement savers — and to help identify effective solutions — we conducted the 2023 Wellness@Work: Retirement Plan Services Study. This study is based on a national survey of 2,604 full-time workers who are eligible to contribute to an employer-sponsored retirement plan.

Let's look at the responses of employees who work for small businesses (organizations with 100 or fewer employees) who participated in the study to help us learn what motivates them to take positive actions. We'll also see how their responses compared with those of employees at larger organizations.

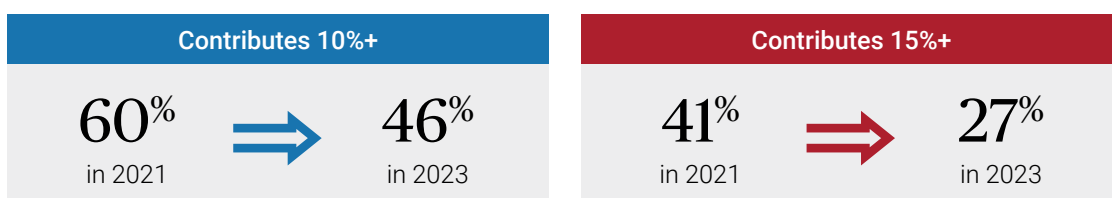
## The state of retirement savings in 2023

Across employer size, the percentage of participants saving at least 10% and saving at least 15% dropped between 2021 and 2023. However, the biggest drops were seen among employees at midsize organizations (100 – 999 employees).

### Small business participants' contribution rates

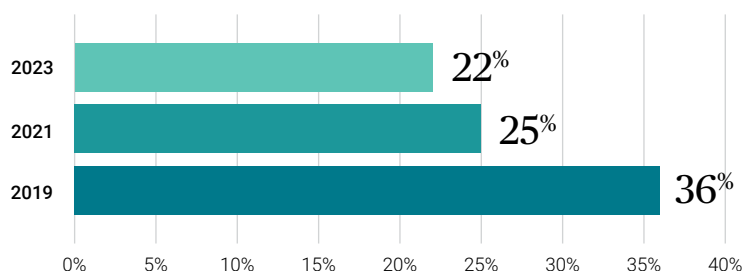


### Midsize business participants' contribution rates

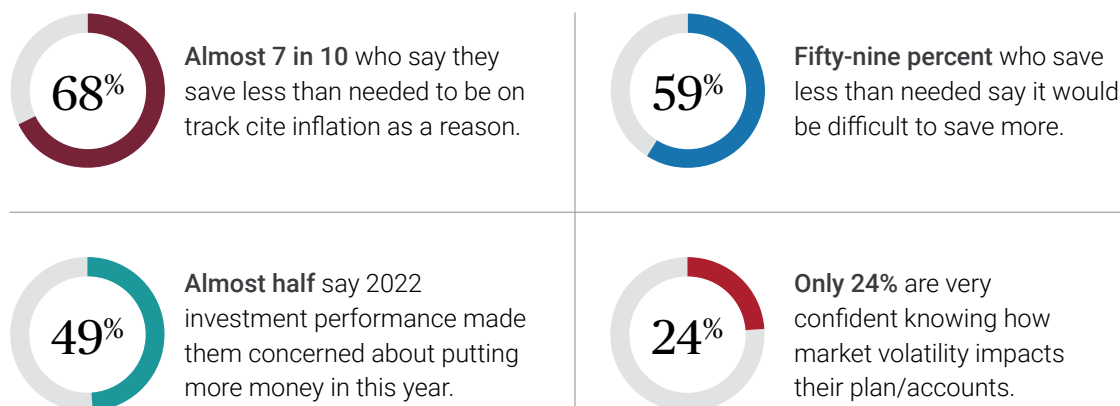


As contributions dropped, so did retirement confidence. Across employer size, the percentage of participants who were confident about retirement dropped between 2019 and 2023. Interestingly, employees at small organizations saw a larger drop between 2019 and 2021, while employees at large organizations saw a larger drop between 2021 (30%) and 2023 (21%).

**Small business participants who are extremely or very confident on all 3 key retirement readiness metrics<sup>1</sup>**



The silver lining? We know why: inflation and declining investment performance.



We can't control the economy or the stock market, but we can give small business employees the tools they need to help improve their financial wellness and retirement outlooks.

## Using research to drive outcomes.

At Lincoln, we're using research-backed strategies and a tech-enabled, people-connected approach to drive positive outcomes. Get resources based on what we learned on our [Wellness@Work website](#) to help you optimize plan design and educate small business employees so they can make informed decisions and take positive actions. We'll help reengage your workforce to:



<sup>1</sup> The three key retirement readiness metrics are 1) having enough money to maintain the lifestyle you want in retirement, 2) being able to accumulate enough money so you can retire when you want to, and 3) being able to convert your savings into income when you retire that will last the rest of your life.

## Drive contributions.

Although 41% of small business employees say it would be easy to afford to save more, more than two-thirds of small business employees say they're saving less than they'd like due to inflation. It's not just inflation — they told us they're facing several other financial challenges: emergency savings, student loan debt, and medical expenses.



**Thirty-six percent** spent some or all of the money they had in an emergency fund.



**Twenty-one percent** have student loan debt.

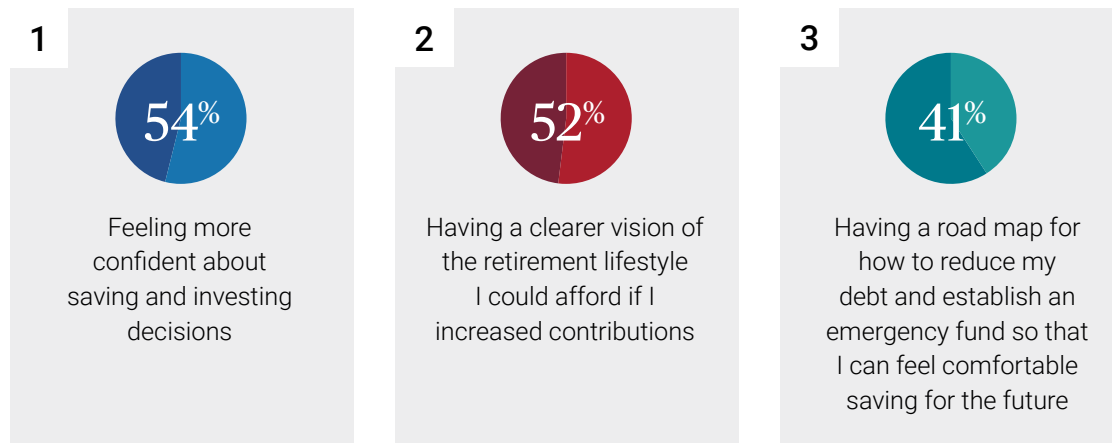


**One-third** incurred major or moderate medical expenses over the past several years.



## How do we motivate small business employees to save more?

The top three saving motivators chosen by small business employees in the survey were:



Education on key topics can help drive confident decision making while online tools can estimate retirement income and show how increasing contributions may positively impact long-term savings.

Shorter-term goals, like paying down debt or saving for emergencies, may seem more doable with tools to manage everyday expenses and debt. Then they can better afford to save for retirement. Small business employees who can more easily save more could be encouraged to set larger savings goals.

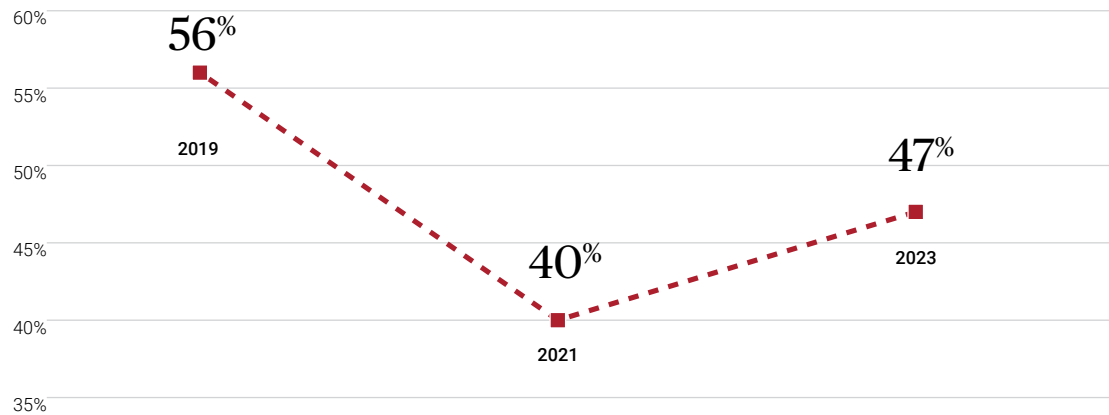
Direct communication with small business workers seems particularly effective: 64% have reviewed their plan statement in the past year and 60% have read a message from the plan provider.

## Boost retirement confidence.

Confidence about the future helps employees retire when and how they want. But they also need to be confident about their decision making.

Participants at small companies saw confidence drop significantly between 2019 and 2021, with it picking back up between 2021 and 2023 (though not back up to 2019 levels).

### Small business participants who are highly confident about making retirement plan decisions



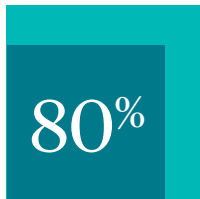
Despite the slight confidence rebound in 2023 small business employees need help, and they're receptive to it.



**Almost 6 in 10 (58%)** would like to receive education about the topics they're less confident about.

#### Top 3 preferences for how to receive education

1. Talking to a representative by phone or virtual conference call (22%)
2. Sent to me by email (20%)
3. Through a webinar or podcast (14%)



#### Interest in personal help

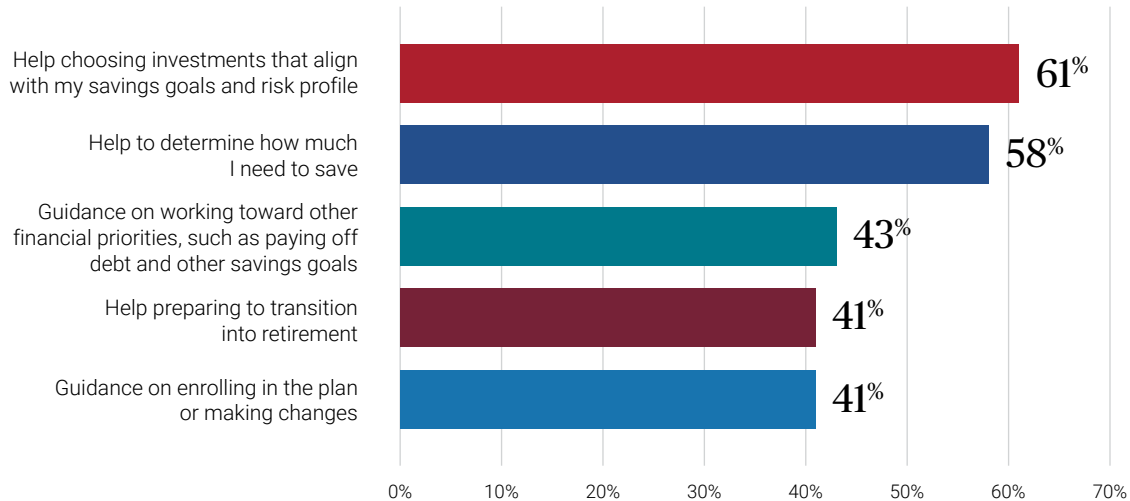
**Four out of 5** small business workers would like to (or already do) work with a retirement consultant.

In this survey, the term “retirement consultant” was used to represent personal help from a financial professional – someone who could meet one-on-one to help them enroll in the plan or make plan changes, answer retirement savings questions, and provide education about retirement planning.

A retirement consultant could be a financial adviser servicing the plan or someone working directly for the plan provider. Lincoln retirement consultants can offer support for participants and complement the services an adviser provides.

They told us where we can focus our education efforts. It's not only retirement plan help that employees would like.

### What help small business employees most want



### Improve wellness.

As we've mentioned, financial concerns are on the rise. They can't be ignored because there's a strong connection between stress and finances. Financial issues can cause stress, which can negatively affect how people manage their finances.

- **84%** of small business employees say finances contribute to their stress.
- **48%** say it's a major or the biggest factor of stress.

### Helping with holistic wellness

Although we can't lessen all causes of stress, we can help small business employees deal with it. The vast majority (85%) are interested in receiving a long-term financial plan from their plan provider or employer. Small business employees want that plan personalized, and the top three items they want it to include are:



- 1** A retirement income plan
- 2** A plan for short-, medium-, and long-term financial goals
- 3** A plan for managing debt

They also want student loan solutions offered through their plan provider.

79%

**Almost 4 out of 5** of small business employees who have student loans are interested in a student loan management service offered through their employer or plan provider (or already use one).<sup>1</sup>

Small business employees expressed the desire to build emergency funds as well.

76%

**More than three-fourths (76%)** of workers are interested in an emergency savings account offered through their employer/plan provider (or already use one).<sup>2</sup>

### The positive impact of financial wellness tools

We can see from their answers that small business employees want and need help with financial wellness and overall well-being. Financial wellness tools offer an effective solution. Small business employees who use financial wellness resources report positive outcomes.



- 79% say they've had a positive impact.
- 70% say they've helped reduce the amount of stress they feel about finances.

Yet, **only 49%** have taken advantage of financial wellness programs at work.



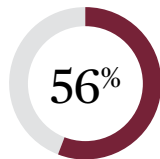
<sup>1</sup> This service was defined as a web-based tool that would help them determine the best way to handle student debt, based on their situation, including loan refinancing and federal student loan programs, such as Public Service Loan Forgiveness and income-based repayment.

<sup>2</sup> The account was defined as separate from the retirement plan but would work similarly: They could contribute a certain percentage of their income to the emergency savings fund and the money would be automatically deducted from their paycheck. They would be allowed to access the money in the account to pay for emergency expenses that come up.

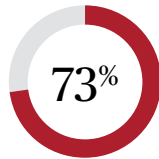
## Increase participation.

How do we get non-participating small business employees to enroll in their plan? It may be easier than you think. With 27% of non-participating small business employees saying they plan to start contributing to their plan, they may only need a small nudge to get back on track.

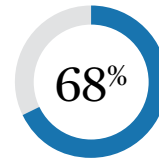
Non-participants told us how to encourage them to enroll, and the answers were very clear. Auto enrollment, employer match, and in-plan income options are strong motivators.



**Over half** of non-participants would likely stay in the plan if their employer automatically enrolled everyone not currently contributing.



**Almost three-fourths** would be likely to save in the plan if a 3% match were offered.



**Nearly 7 out of 10** non-participants say a guaranteed income option in their plan would encourage them to participate.

Financial wellness plays a strong role here. Paying off debt would motivate 47% of non-participants to enroll in the plan.

## Reengaging employees with their retirement plans

While inflation and investment performance have driven small business employees' retirement contribution rates lower, financial wellness resources and easy-to-understand education may help mitigate these factors. Together, let's help small business employees renew their confidence and recharge their retirements.



### How can Lincoln help?

At Lincoln, we're incorporating lessons from our research to improve the customer experience and drive positive outcomes. Contact your Lincoln representative or visit [LincolnFinancial.com/WellnessAtWork](https://LincolnFinancial.com/WellnessAtWork) for tools and resources.



# About Wellness@Work

All data in this paper comes from the 2023 Wellness@Work: Retirement Plan Services Study unless otherwise specified.

Wellness@Work is a platform for research and viewpoints on central issues related to group benefits and retirement planning. The program seeks to identify forward-thinking ways to help financial professionals, employers, and employees. As part of the program, Lincoln sponsors both proprietary and third party research, with an emphasis on what drives better benefit and retirement outcomes.

The 2023 Wellness@Work: Retirement Plan Services Study is based on a national survey of 2,604 full-time workers who are eligible to contribute to an employer-sponsored retirement plan, including 2,104 participants and 500 non-participants. Greenwald Research, a third party market research firm, conducted the study on behalf of Lincoln Retirement Plan Services. Greenwald Research is not associated with Lincoln Financial Group. Online interviewing took place from February 16 to March 14, 2023. Data is weighted by demographics to mirror the total population.

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LCN-5995847-100323 PSFP

PDF ADA 12/23 **Z01**

**Order code: DC-WAWPS-FLI001**



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