Renewing confidence, recharging retirement

2023 Wellness@Work

WHITE PAPER

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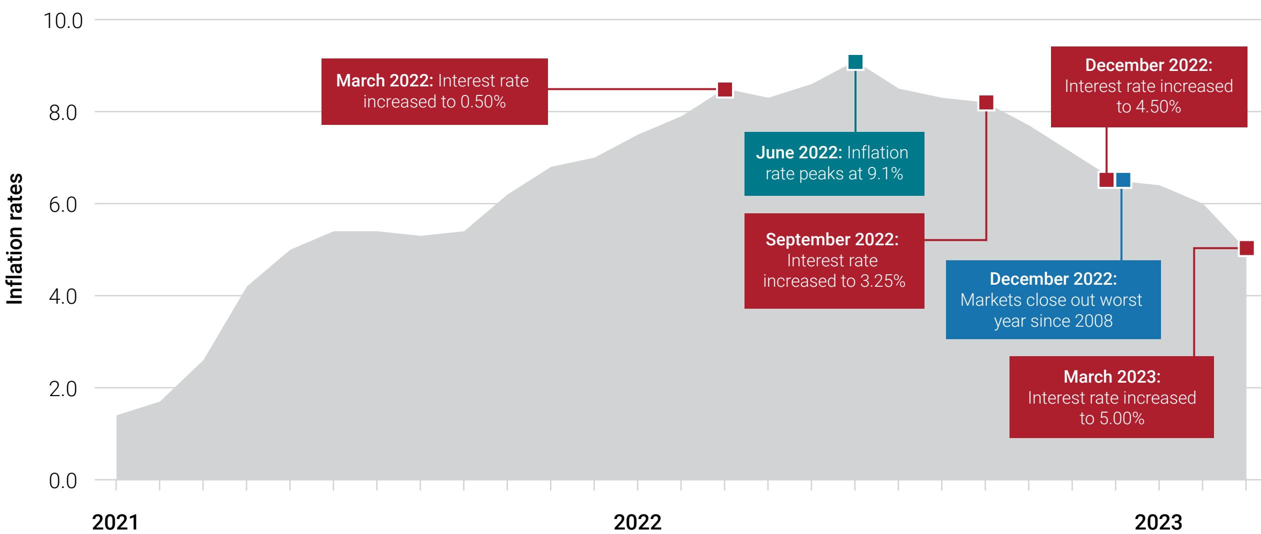
Wellness@Work

The 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. Unless otherwise noted, all information provided in this paper is from the 2023 Wellness@Work Study.

The state of retirement savings in 2023

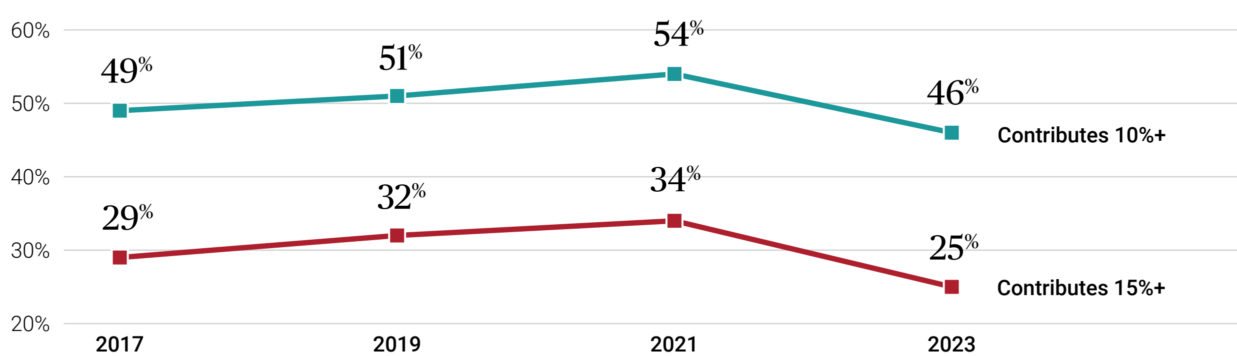
To better understand the challenges facing today's retirement savers — and to help identify effective solutions — we conducted the 2023 Wellness@Work survey. In March 2023, we took the pulse of participants and non-participants and saw the dramatic effects of a turbulent 2022. Inflation, market fluctuations, and economic uncertainty had a cumulative effect on confidence and behavior, as you can see in this timeline.



Sources: Interest rate, inflation, and market performance.

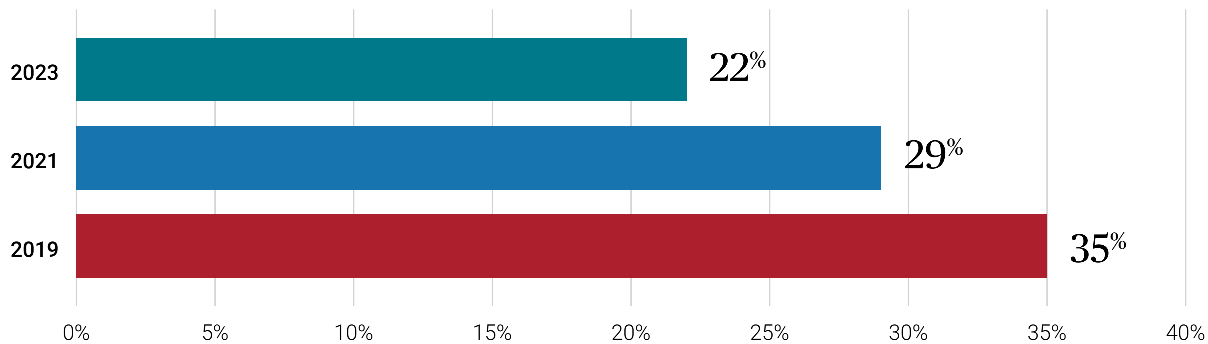
Rising prices and unsteady markets left savers and non-savers shaken. Unsurprisingly, our survey revealed a significant drop in contribution rates since 2021 after years of rising rates.

Contribution rates down in 2023



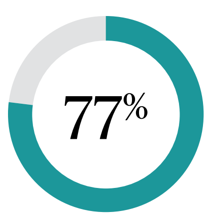
In fact, 22% of participants decreased their contributions in the past year alone and 14% of non-participants say they were saving before but had to stop saving in the past year. As contributions dropped, so has retirement confidence. It's more than 10 percentage points lower than before the pandemic.

Participants who are extremely or very confident on all 3 key retirement readiness metrics[1]

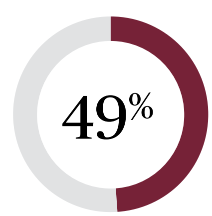


[1] The three key retirement readiness metrics are 1) having enough money to maintain the lifestyle you want in retirement, 2) being able to accumulate enough money so you can retire when you want to, and 3) being able to convert your savings into income when you retire that will last the rest of your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

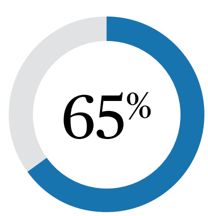
The silver lining? We know why: inflation and declining investment performance.



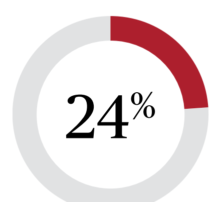
77% of participants who say they save less than needed to be on track cite inflation as a reason



49% of participants say 2022 investment performance made them concerned about putting more money in this year



65% of participants who save less than needed say it would be difficult to save more



Only 24% of participants are very confident knowing how market volatility and inflation affects their plan/accounts

We can't control the economy or the stock market, but we can give participants 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. We'll share resources based on what we learned to help you optimize plan design and educate employees so they can make informed decisions and take positive actions. We'll help reengage your workforce to:

Drive contributions

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Boost retirement confidence

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Improve wellness

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Increase participation

PAGE 20

Drive contributions

After a difficult year, contributions are down and many people are finding it hard to save more. It's not just inflation — employees told us they're facing several other financial challenges: emergency savings, student loan debt, and medical expenses.

35% of workers spent some or all of the money they had in an emergency fund

24% of workers have student loan debt

34% incurred major or moderate medical expenses over the past several years

17% of workers have medical debt

Student loans

Student loans affect every generation but hit younger workers hardest: 34% of millennials, 32% of Gen Z, 18% of Gen X, and 9% of baby boomers have student loan debt. Women, Black, Hispanic, LGTBQ+, and healthcare workers are all more likely to be paying back student loans.

On top of student loans, workers face other types of debt: 58% have credit card debt, and 60% said debt in general is a problem.

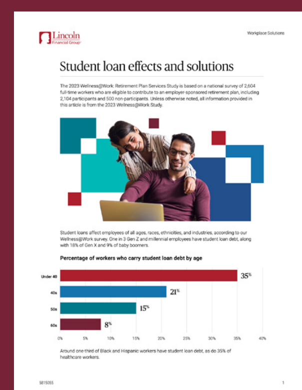
Competing priorities

With competing financial priorities, higher interest rates, and inflation, the majority of participants said it would be hard to save more (55%) while 45% would find it easy to save more. This result flipped from two years ago when, despite the economic stress of the pandemic, just over half (54%) said it would be easy to save more and 46% said it would be difficult.

Employees today need to stretch their dollars even more to manage their priorities.

82% of workers have at least three competing priorities (including debt and other savings goals) in addition to saving for retirement

44% have five or more competing priorities



Discover the dramatic impact student loans can have on employees.

View the flyer >>

How group benefits can support financial goals

Insights from Wellness@Work research

Impacts of medical events

34%

Find out how medical expenses can hinder retirement savings — and how you can help employees manage them.

View the flyer >>

Medical expenses

Understanding the power that medical expenses have to derail retirement savings is important — especially because benefits are available to address them. Unexpected medical events may have consequences that disability, accident insurance, critical illness insurance, and hospital indemnity insurance, as well as health savings accounts (HSAs), can help employees manage more easily.

Education is vital, especially during open enrollment periods when employees are choosing which benefits to select. Even if employees have health insurance, they often don't understand how supplemental insurance policies or HSAs can help them. For instance, we gave workers a list of seven statements about HSAs to test their knowledge. Only 2% correctly identified all seven statements as true or false. Very few workers are aware that they can use HSA money for non-medical expenses without penalty after age 65.

Personal support that includes benefits education can help employees understand their benefit options so they can make the most of them. Choosing the right benefits can help support their retirement goals. Employers have the opportunity to offer holistic well-being solutions and education as part of a comprehensive benefits package.

Use these videos to educate employees about benefits.

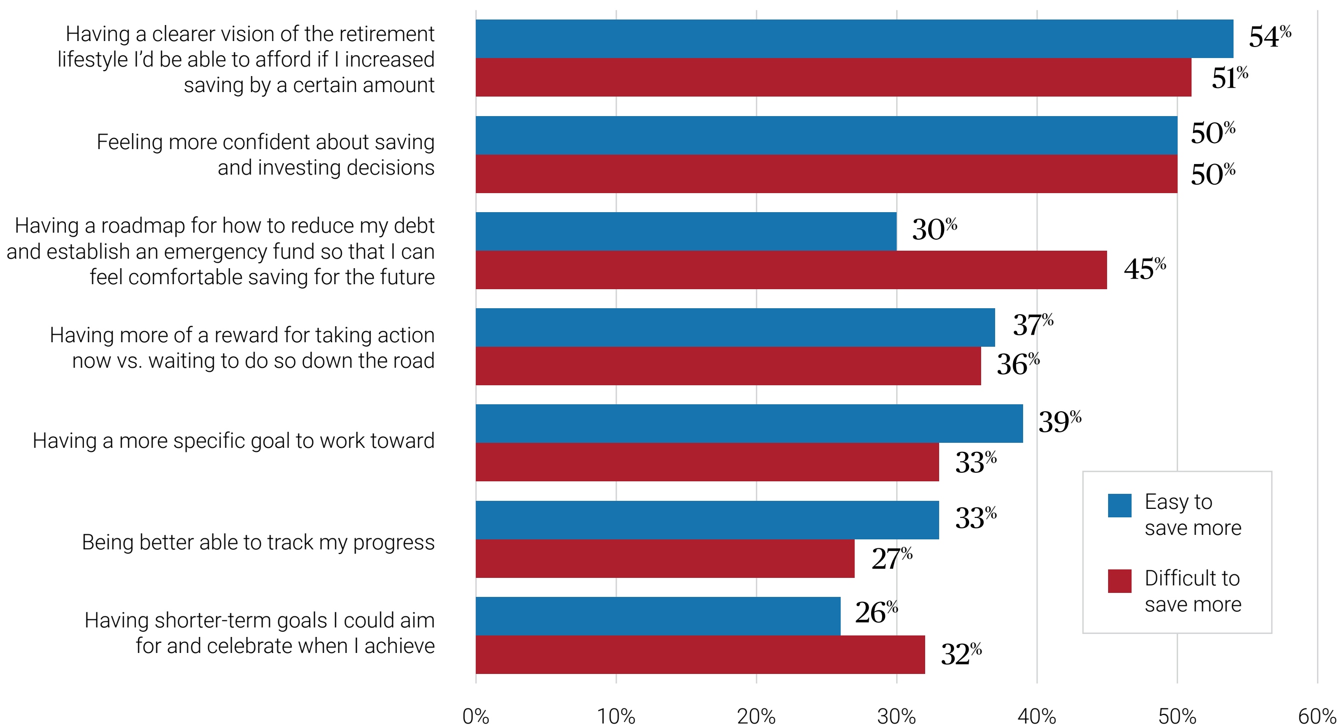
- Accident insurance
- Critical illness insurance
- Hospital indemnity insurance

How do we motivate employees to increase contributions?

That's a lot of financial pressure on employees' wallets. Let's see what we can do to encourage them to put more of their money away for the future. Last year we asked employees what would motivate them to save more for retirement, and this year we had them rank their motivators. The top two saving motivators chosen by employees in the survey were:

- Having a clearer vision of the retirement lifestyle I could afford if I increased contributions
- Feeling more confident about saving and investing decisions

More than half of employees in the survey cited these as motivating — even those who said it would be difficult to save more. But it's important to note how the motivators vary between the two groups. Almost half of those who would find it hard to save more would be motivated by a plan to reduce debt and build an emergency fund.



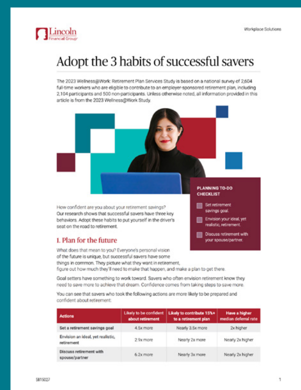
Both groups would be motivated by education on key topics that can help drive confident decision making, and online tools can estimate retirement income and show how increasing contributions may positively impact long-term savings.

For participants who said they'd find it hard to save more, we need to give them tools to manage everyday expenses and debt so they can better afford to save for retirement. Shorter-term goals, like paying down debt or saving for emergencies, may seem more doable right now to this group. Smaller wins can be motivating.

Participants who can more easily save more could be encouraged to set larger, specific savings goals. One-third of this group would be motivated by tracking their progress, so we need to make sure that's easy for them.

Habits of successful savers

Our research has shown that setting goals, envisioning their ideal retirement, and discussing their retirement vision with their partner are all habits of successful savers. It's interesting to note that while less than half of coupled savers discussed their vision for retirement with their partner "a lot," only 60% were "very aligned" in their visions — so there's room for more discussion. Talks include how much their retirement vision would cost, traveling in retirement, where to live, what to do for fun, and what to spend money on.

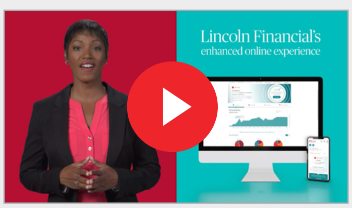


Learn more about the habits of successful savers so you can encourage employees to take these actions.

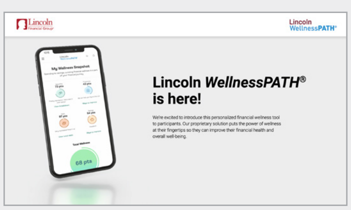
View the flyer >>

Tools you can use

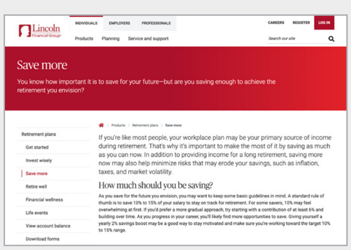
These online resources align with saving motivators, so they may help drive deferral rate increases.



The participant web experience makes it fast and easy for employees to see where they stand, track their saving progress, and take action.



Lincoln WellnessPATH® is a personalized financial wellness tool that helps participants manage their financial lives. They can set and track progress toward goals, make a budget to find extra money for competing priorities, plan to pay off debt or save for emergencies, and receive custom action steps to help improve their financial wellness.



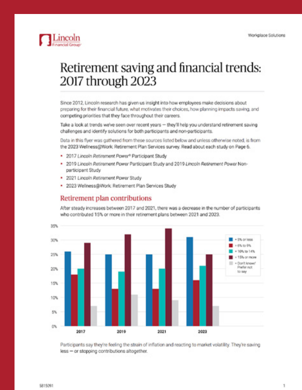
Retirement saving education gives employees the knowledge they're looking for to help make confident decisions.

Boost retirement confidence

Confidence about the future helps employees retire when and how they want. But they also need confidence about decision making. Why? Participants who are confident about plan decisions are two times more likely to be contributing 15%+.

Unfortunately, that's not the majority of participants. Less than half (44%) are highly confident about making financial decisions in their plan. Confidence in making decisions about retirement dropped between 2019 and 2021 amidst the uncertainty and upheaval of the pandemic and hasn't risen since. Many are unsure what steps to take in the current economic climate, especially navigating inflation and market volatility.

Decision-making confidence also varies across demographics. Men, higher earners, and Black workers all have higher confidence. Healthcare, education, and government workers are less confident than corporate workers.



See how participant saving attitudes and behaviors have trended over time.

View the flyer >>

Employees want help

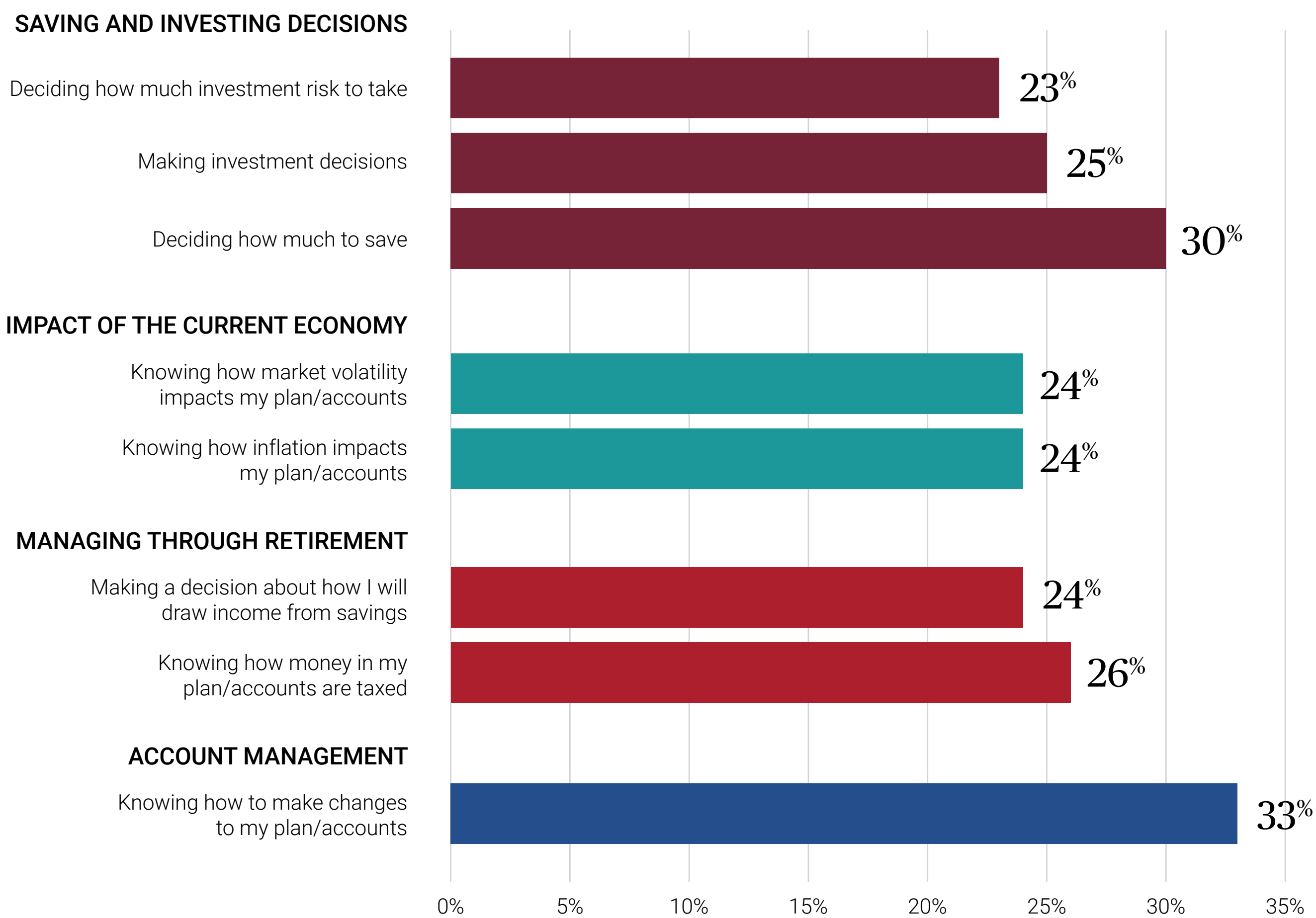
The good news is that they know they need help, and they're receptive to it.

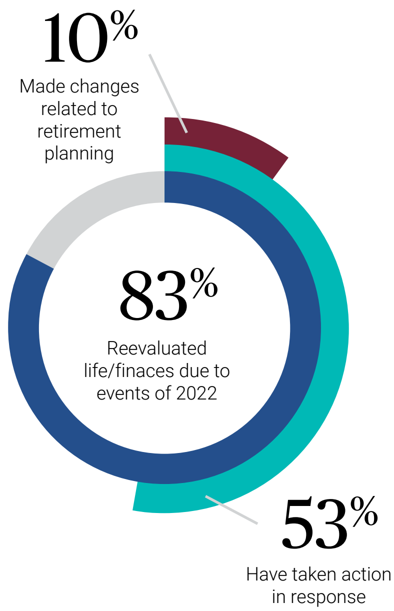
62% would like to receive education about the topics they're less confident about

Empowering confident decision making can help increase participant success. It's a top motivator for saving more. And employees told us where we can focus our education efforts. Investments, retirement income, and market volatility are key topics they need to understand more.

Confidence on aspects of retirement plan/savings

Among all workers (% very confident)





Reevaluating their lives

Employees are reevaluating and taking action to improve their finances, but for most, not with retirement savings. In fact, 83% of workers say they reevaluated their finances, lifestyle, work/career, and retirement expectations over the past year — slightly higher than the percentage of people reevaluating their life and their finances in 2021 amidst the pandemic. Gen Z and millennials were most likely to reevaluate and most likely to take action.

Two-thirds of all workers who reevaluated took some action — that's 53% of all workers total. The top change people made in response to reevaluating was changes to financial habits, but only 10% said they made changes related to retirement planning. How can they if they don't feel confident deciding what actions to take?

The willingness to take steps to change financial habits presents a significant opportunity. If we can effectively educate employees and help them feel more confident about retirement plan decision making, they may be willing to make changes that can help them better prepare for the future.

Workers looking to employers for help

Education matters — 62% of employees want education from their plan provider, and with goal setters, that number is even higher. Unfortunately, only 39% agree that their employer currently does a good job of educating about saving for retirement. Plan sponsors can use what we learned in this survey to push that number higher.

When asked their top preference for how they'd like to receive education from the provider, answers vary by generation.

Top 3 preferences by generation

GEN Z	MILLENNIALS
23% – Sent to me by email	**22%** – Sent to me by email
18% – Talk to rep by phone (or virtual call)	**17%** – Online educational articles/videos
15% – Online educational articles/videos	**16%** – Talk to rep by phone (or virtual call)

GEN X	BABY BOOMERS
19% – Sent to me by email	**21%** – Talk to rep by phone (or virtual call)
16% – Talk to rep by phone (or virtual call)	**19%** – Hard-copy materials mailed to me
15% – Online interactive tools, calculators	**16%** – Sent to me by email

Interest in personal help

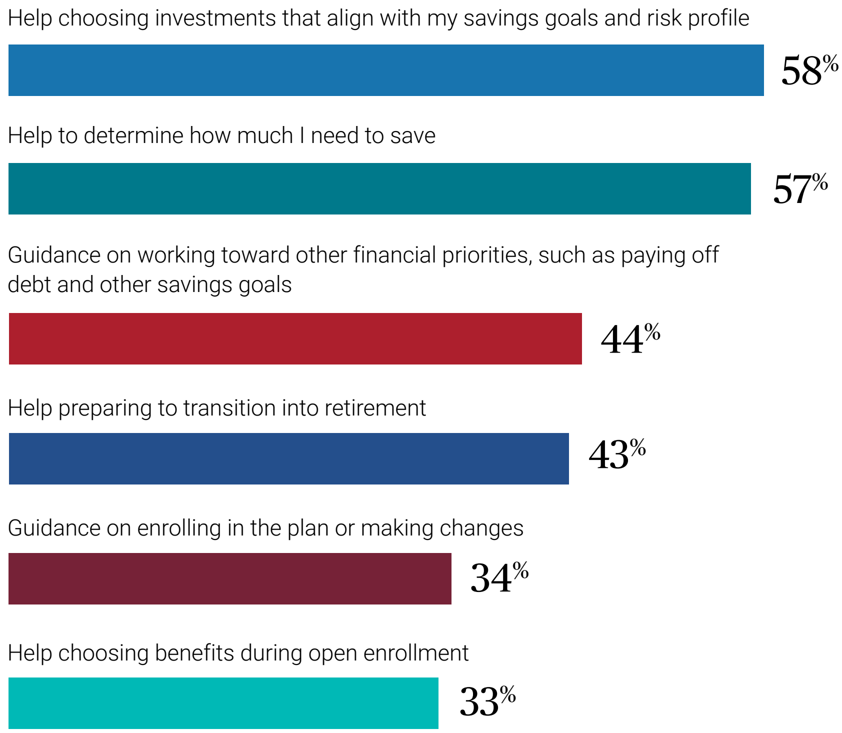
One-on-one help remains popular. Interest in help from a retirement consultant is up over the past two years, from 77% in 2021 to 82% in 2023. Individuals who work with a retirement consultant are 1.5x more likely to say their employer does a good job of preparing them for retirement and 1.6x more likely to feel confident about making decisions in their plan.

You can see in the following graph that it's not only retirement plan help that employees would like. Almost half want guidance with other financial priorities, and one-third mentioned help choosing benefits during open enrollment. These results show a great opportunity to introduce group benefits education and potentially increase adoption.

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.

What help workers would most want from the consultant

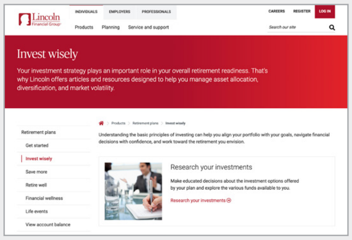


Younger workers are more interested than those near retirement (84% for those in their 20s and 30s vs. 73% for those in their 60s). One might expect those near retirement to have trickier plan issues to navigate, but those newer to saving may be more in need.

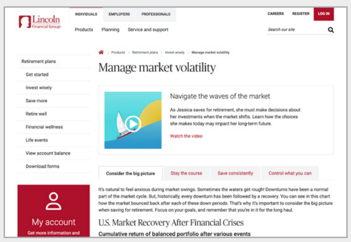
We all know it's vital to start saving early. Only 16% of participants ages 50+ started saving before age 25. Those who did are 1.4x more likely to contribute 15%+, have a 1.25x higher median deferral rate, and are nearly two times more likely to be highly confident about retirement readiness. Providing personal help for younger employees to manage competing priorities, most notably student debt, may be the nudge they need to get a head start on their retirement journey.

Tools you can use

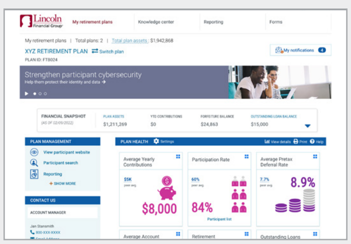
Participants need easy-to-understand education to drive confident decision making and engagement.



Help employees invest wisely with these **educational materials**.



Help employees **manage market volatility** and understand the importance of staying the course.



Use the **key performance indicators** on your Plan Health Dashboard to get a snapshot of your plan's performance along with detailed participant data, demographics, and trends so you can focus on who needs the most help in your company. Benchmarking compares your plan with the average peer plan to help you make decisions.

Improve wellness

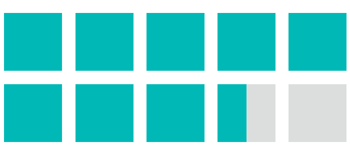
As we've mentioned, financial concerns are on the rise. With the strong connection between stress and finances, they shouldn't be ignored. Financial issues can cause stress, which can negatively affect how people manage their finances.

83% of workers say finances contribute to their stress

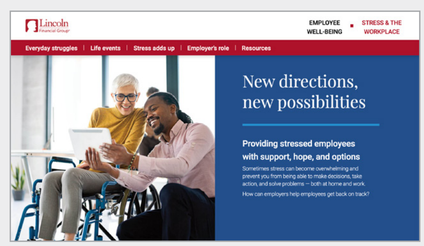
47% say it's a major or the biggest factor of stress

Helping with holistic wellness

Although we can't lessen all causes of stress, we can help employees deal with it. And they would appreciate help with financial wellness.



85% are interested in receiving a long-term financial plan from their plan provider or employer



Use these resources to help employees deal with stress.

View the microsite >>

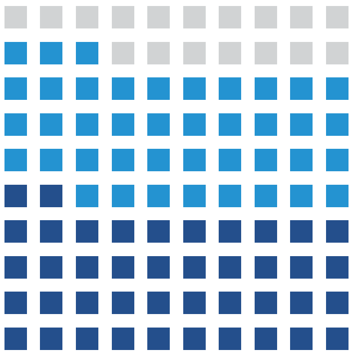
The survey stated that this long-term financial plan would be personalized. The top three aspects workers find most appealing are:

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

Other items of interest include:

- An assessment of current net worth (accounting for all assets and all debts) and cash flow
- An assessment of insurance coverage and needs
- An estate plan

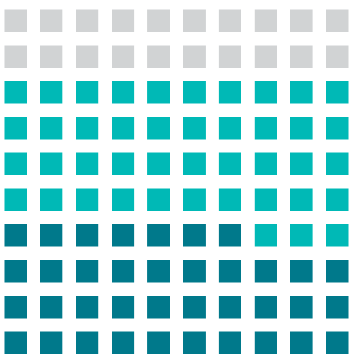
That's the majority of employees looking for holistic financial wellness help. They also want student loan solutions.



83% of workers who have student loans are interested in a student loan management service offered through their employer or plan provider, including **42%** who are very interested (or already use one)*

*This service was defined as a web-based tool that would help them determine the best way to handle student debt, based upon their personal situation, including: loan refinancing and federal student loan programs, such as public service loan forgiveness and income-based repayment.

Once again, employees expressed the desire to build emergency funds.

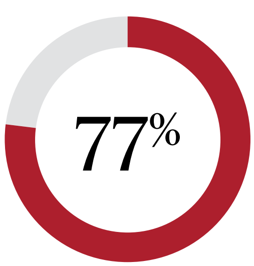


80% of workers are interested in an emergency savings account offered through their employer/plan provider, including **37%** who are very interested (or already use one)*

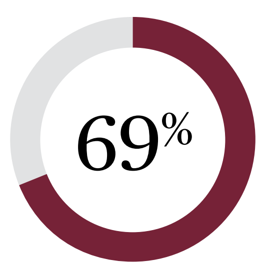
*The account was defined as separate from the retirement plan but would work similarly: They could contribute a certain percentage of their income to the emergency savings fund and the money would be automatically deducted from their paycheck. They would be allowed to access the money in the account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

The positive impact of financial wellness tools

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



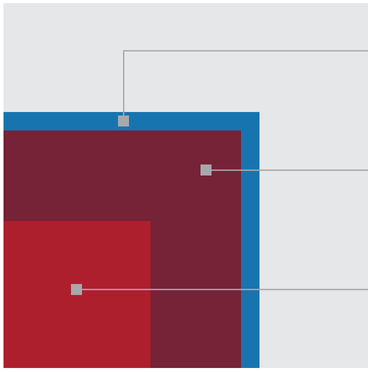
77% say they've had a positive impact, including 21% who saw a significant positive impact



69% say they've helped reduce the amount of stress they feel about finances

These programs are particularly impactful for Black and Hispanic workers: 30% of Black workers and 30% of Hispanic workers saw a significant positive impact.

Financial wellness tools can lower stress, increase confidence in decision making, and drive contribution increases.



59% of workers who've used financial wellness tools say they know how much to save regularly to maintain their lifestyle in retirement

54% of participants who've used financial wellness tools say they're highly confident about making decisions in their retirement plan

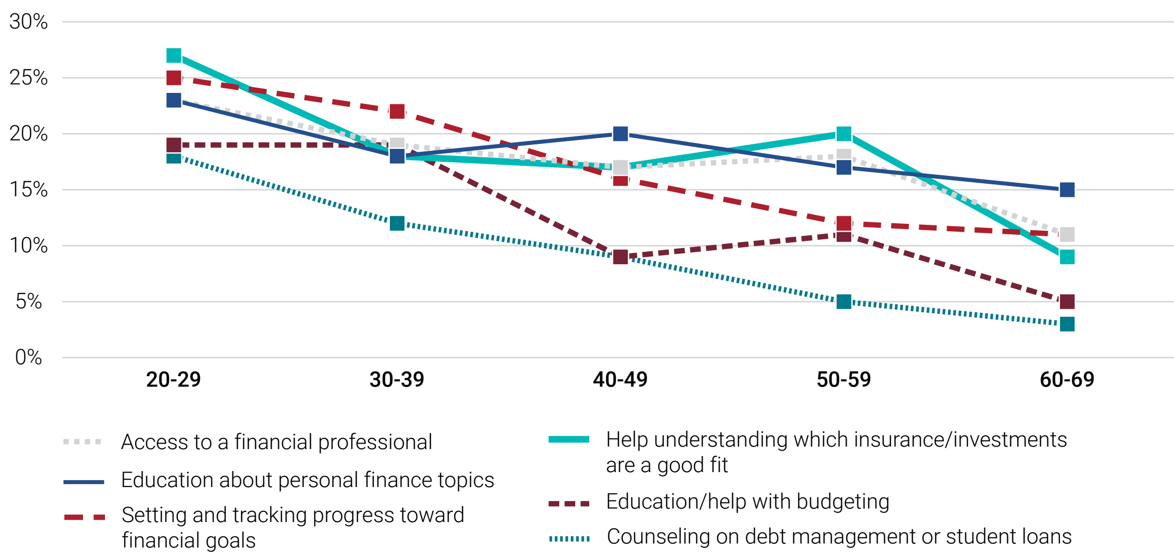
30% of participants who've used financial wellness tools increased their retirement plan contributions in the past year

Using these tools can help employees feel more educated about finances and more positive about their employer.

- Participants who've used financial wellness tools are more likely to say their employer does a good job educating them about saving for retirement (54%).
- Participants who've used multiple financial wellness tools are even more likely to say their employer does a good job (62%).

Despite all the benefits, less than half have taken advantage of financial wellness programs at work. Workers in their 20s are most likely to use them, and usage of different types of resources varies by age.

Use of financial wellness resources by age



Still, there's a recurring theme: personal help, education, goal setting, investments, and debt are topics that appear again and again as of interest to employees.

Personalized support

The top reason people don't use wellness programs? They prefer more personalized help. Other reasons include haven't gotten around to it, not comfortable sharing details of finances at work, already receiving help from a financial professional, and resources don't seem applicable to my needs.

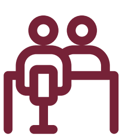
When asked what personalized means, employees' answers fell into four categories:

1. A tailored plan for my unique needs
2. Getting the right type of help
3. Individualized assistance
4. Communication on my terms

The types of services and qualities they want include:

- Advice based on specific needs
- A plan specifically for me
- Step-by-step guide
- Pertains to my particular situation
- Dedicated financial adviser
- Answers to my questions
- Financial education resources
- Someone I can trust
- Understand my goals
- Investment help
- Retirement planning help
- Help managing debt and savings
- Support directly related to my personal financial goals and targets, not generalized guidance
- Talking to a person is more personalized
- Relationships matter

Financial advisers and retirement consultants continue to be a winning strategy for personalized education. As mentioned earlier, desire is up for one-on-one meetings, and when participants do get that help, they contribute more.

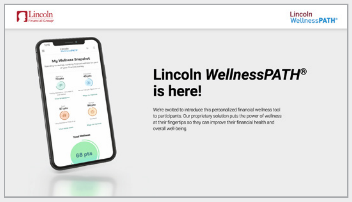


Participants contribute **92% more** when they meet with a Lincoln retirement consultant (RC).

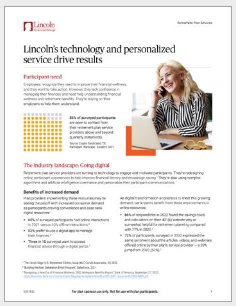
Source: Lincoln Financial Group, plan data, 2Q 2023.

Tools you can use

Giving participants personalized financial wellness support may help them improve wellness and deal with stress, allowing them to increase engagement.



The **WellnessPATH financial wellness tool** offers personalized suggestions and helps participants take charge of their wellness. The new *WellnessPATH* Marketplace lets employees easily act on those suggestions by providing solutions to support total well-being.


Lincoln's technology and personalized service drive results

Participants benefit from **Lincoln's tech-enabled, people-connected approach**. A personalized online experience combined with personal support can be a powerful combination to drive engagement.


See what the power of personal can do for participants

RCs have a **measurable impact on contributions** — via both in-person and virtual meetings.

Increase participation

How do we turn non-participants into participants? It may be easier than you think. Half of non-participants have contributed to an employer retirement plan in the past, including 17% who contributed to their current employer's plan. In fact, 14% stopped contributing to their plan in the past year. These former savers may only need a small nudge to get back on track.

Using plan design and personal support to drive enrollment

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

Automatic reenrollment makes it easy for employees, and most would likely stay in the plan.

62% of non-participants would likely stay in the plan if their employer auto enrolled everyone not currently contributing

74% of non-participants wouldn't mind if their employer auto enrolled everyone not currently in the plan

4 in 10 approve of an auto-enroll rate of 3%, but 37% think the default should be higher than 3%

The survey revealed that the higher the match, the greater the incentive for non-participants to enroll.

- 77% would be likely to save in the plan if a 3% match were offered, including 45% who would be very/extremely likely
- 57% of non-participants say a 10% match would make them extremely/very likely to participate

Reflecting the overall numbers, 68% of non-participants would be interested in working with a retirement consultant-type resource if available through their employer; those with debt are even more likely to be interested.

Non-participants also shared specific areas with which they'd like help from an RC.

Areas non-participants need help with	Percentage
Choosing investments that align with my savings goals and risk profile	58%
Determining how much I need to save	54%
Working toward other financial priorities, such as paying off debt and other saving goals	51%
Enrolling in the plan or making changes	41%
Preparing to transition into retirement	38%
Choosing benefits during open enrollment	36%

Non-participants need education and tools to feel empowered to make decisions in their plan. These resources are especially important for the 50% who have never contributed to a workplace retirement plan in the past.

Personal support presents the opportunity to drive enrollment in the retirement plan plus adoption of other benefits. Supplemental health benefits are often misunderstood, and a professional could explain what they are and how they can help employees.

In-plan guaranteed income options

In-plan income options would strongly motivate employees to enroll in their retirement plan, especially those seeking financial security in the current economic climate. In fact, 72% of non-participants say having a guaranteed income option[1] in their plan would encourage them to participate (up from 52% in 2021). The top questions non-participants would want answered in order to make a decision about in-plan income are:

- How much does it cost? What are the fees? (44% of non-participants want answers to this question)
- Can I access the money early if needed for an emergency? (40%)
- How safe is this investment choice? What are the risks associated with it? (37%)

See what employees want to know about in-plan income and how you can answer their questions.

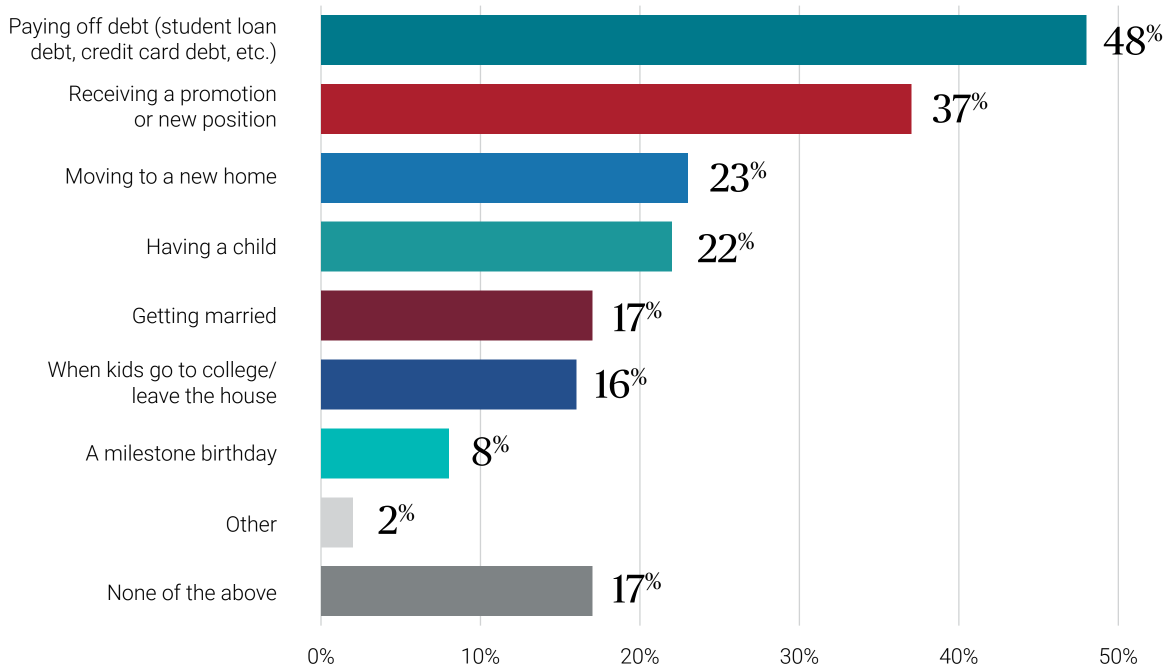
View the flyer >>

[1] Guarantees are subject to the claims-paying ability of the issuing company.

Milestones that motivate

Milestones — both financial and personal — can motivate non-participants to start saving. Financial wellness plays a strong role here. Forty-eight percent of non-participants said paying off debt would motivate them to enroll in the plan, while 83% would be motivated by one or more of the milestones in this chart.

Life events that would motivate non-participants to start saving



Milestones that would be most likely to motivate non-participants to start saving also vary across generation. Gen Z non-participants are much more likely than other generations to say life milestones, such as a promotion or having a child, are motivating, possibly because many of these events are still ahead of them.

Bonus benefits for participants

Taking steps to encourage non-participants to join the plan also has benefits for participants. Among participants whose employer doesn't offer a match, most say they'd likely increase their contributions to meet the match if it were offered.

88%

88% of participants contributing less than 3% would be likely to increase their contributions to take advantage of a 3% match

79%

79% of participants saving 3% to 9% say they'd bump up their deferral rate to 10% if a 10% match was offered

In-plan income and one-on-one support are also a strong motivators for participants.

35% of participants would increase their contributions if offered a guaranteed retirement income option

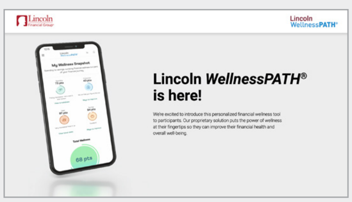
70% of participants are interested in "an investment option within my employer's retirement plan that provides guaranteed payouts in retirement, similar to a pension"

84% of participants say they'd be interested in working with (or already work with) a retirement consultant-type resource if it were offered through their employer

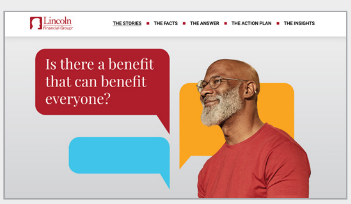
Participants with debt are particularly likely to say they'd save more if a guaranteed retirement income option were offered and are more likely to be interested in personal support.

Tools you can use

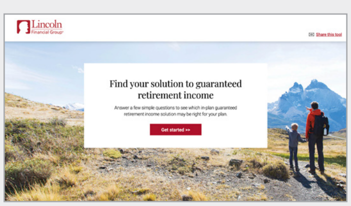
Financial wellness and plan design features can provide significant motivation to enroll.



Employees can use Lincoln *WellnessPATH* to make a plan to pay off debt.



Explore LincolnFinancial.com/RetirementIncome to see how in-plan guaranteed income options can protect savings and create lifetime income. You'll find an explanation of how guaranteed income works, how the SECURE Act 2.0 provided a fiduciary safe harbor, and more.



Find a solution to guaranteed retirement income options using our simple selection tool.

For auto features, contact your Lincoln representative to adopt auto enroll and auto increase, if you haven't already.

Reengaging employees with their retirement plans

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

About Wellness@Work

All data in this paper was 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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