

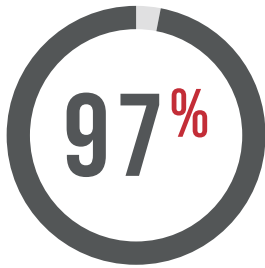


TEACHABLE MOMENTS FROM TODAY'S RETIREES

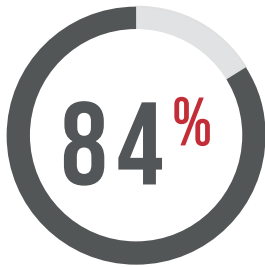
Where today's retirees are financially, and what lessons employers can take to help today's employees.

INTRODUCTION

It's a new era of workplace dynamics. Employees feel empowered to ask their employers for more support, while employers are more focused on their workers' financial health.



Nearly all employers (97%) now **feel responsible for their employees' financial wellness**¹



84% say **offering financial wellness tools has helped them boost talent retention** amid the Great Resignation.¹

To ensure their support makes a meaningful difference throughout their employees' lives, though, employers must have a deep understanding of employees' concerns today — as well as the issues they'll face after they leave the workforce.

With this in mind, we, along with the Employee Benefits Research Institute (EBRI), set out to explore employees' financial wellness in retirement and learn more about how retirees feel about their finances.² And, sadly, the results are troubling.

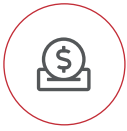
PUT SIMPLY, TODAY'S RETIREES ARE STRUGGLING.

Many grapple with financial regrets from their working years, or strain to navigate the day-to-day financial challenges posed by inflation. Worse yet, many retirees find themselves facing larger questions about their financial security, or what their financial legacy may become.

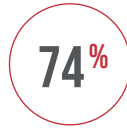
In this report, we will delve into the financial challenges facing retirees today and how regrets about financial behavior in their working years are reshaping their futures. We'll share key insights into how financial wellness benefits put retirees on track to success. Finally, we'll share the steps employers can take today to help bolster employees' financial wellness and safeguard their financial future.



KEY FINDINGS



Half of retirees said they **would have changed at least one financial behavior** from their working years



Of those, **74%** would tell themselves to **save more or start earlier.**



1 in 3 retirees are **worried they will run out of money.**



SNAPSHOTS OF FINANCIAL WELLNESS IN RETIREMENT

An in-depth look at where retirees are today

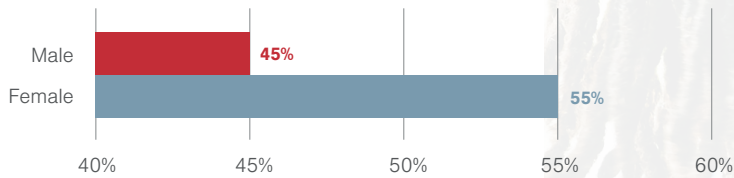
We all dream of a happy, secure retirement. But our study finds that many retirees have these dreams punctured by economic uncertainties. Financial anxieties abound, and many employees find themselves wishing they had managed their money differently while they were working — and looking with trepidation at the years ahead.



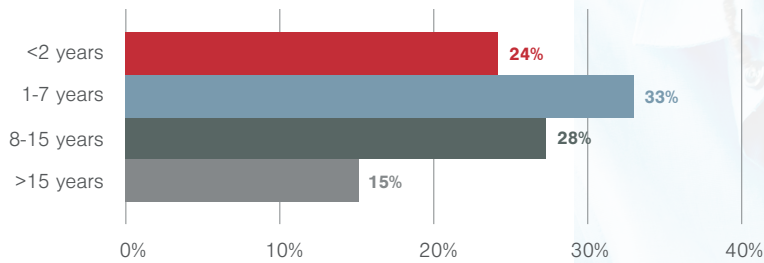
SURVEY DETAILS

We surveyed 1,109 American retirees between the ages of 55 and 80 with at least \$50,000 in financial assets. Here's how our respondents broke down across key demographics:

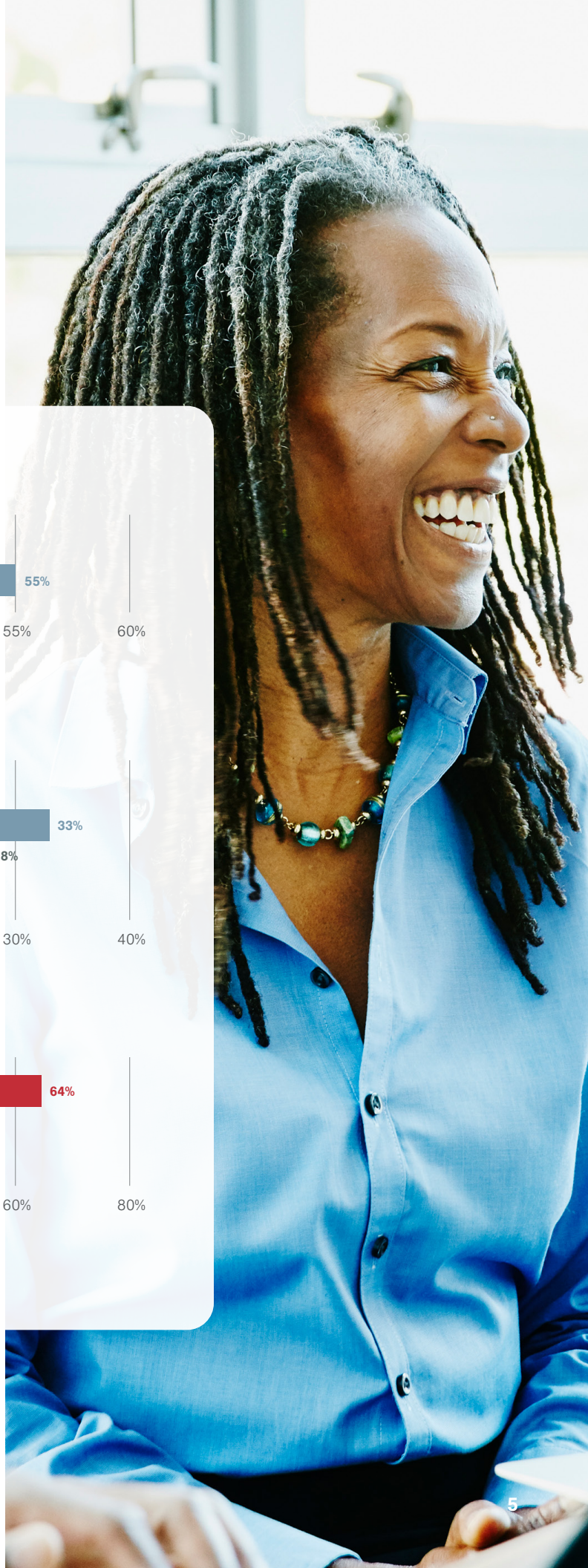
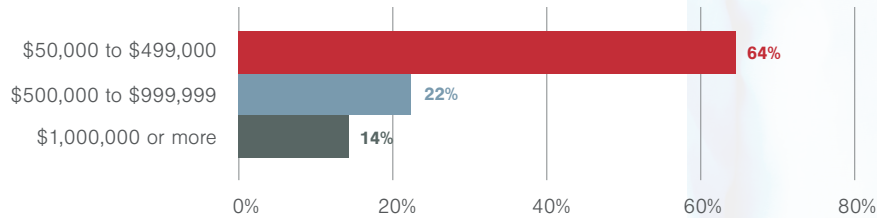
GENDER



YEARS IN RETIREMENT



ASSETS





HALF OF RETIREES HAVE FINANCIAL REGRETS

Financial wellness is a lifelong journey. As retirees look back on their working years, many say there's at least one thing they wish they had changed. One in two retirees say they would have changed their financial habits during their working years to improve their financial situation today.

50% of retirees say they have at least one financial behavior they would go back and change.

57% Including 57% of retirees with under \$500,000 in assets.

Perhaps not surprisingly, those with fewer assets – the respondents most likely to feel economically constrained – are more likely to have financial regrets. Retirees with \$50,000 to \$500,000 in assets were nearly **2.5x times more likely** to report at least one financial regret compared to those with \$2M in assets or more.

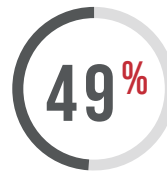


RETIREES RESOUNDINGLY WISH THEY WERE MORE PREPARED FOR RETIREMENT

When asked which financial habits they would change, retirees had a simple message for their younger selves: **save more and start earlier.**



of retirees with a financial regret said they wish they had saved more or started earlier.



of all retirees said they wish they had started planning for retirement earlier.

Some retirees also wish they could go back and change their spending and investment habits. Roughly one in eight (12%) wish they would have spent less in their working years and 13% wish they could have better utilized tax-deferred accounts or allocated their assets differently. Finally, 6 in 10 retirees who sought financial advice near or after retirement wish they had sought counsel earlier in their careers.

CURRENT ECONOMIC UNCERTAINTIES HAVE ESCALATED RETIREES' CONCERNS

Rampant inflation has many employees concerned about their rising cost of living — and retirees are feeling the squeeze, too. Although roughly one-third of current retirees cited inflation as a significant concern during their working years, their concerns may have not adequately prepared them for today's inflation rates. Anxieties around inflation have soared after exiting the workforce taking the top spot of retirees' list of financial concerns.

54% of retirees cite inflation as their top financial concern in retirement (vs. 32% pre-retirement)

27% of retirees cite market volatility as their top source of financial worry

As inflation remains elevated, some retirees are looking at their budgets with alarm. Nearly one in five (19%) are concerned about their day-to-day expenses, and 12% are worried about housing costs.

What's more, retirees' investment portfolios offer little comfort in this time of economic uncertainty. More than one in four retirees report feeling anxious about how their portfolios may fare in a turbulent economy — and 6 in 10 say they're more concerned about market volatility now than they were before retirement.



“Inflation and market volatility are depleting my savings...I may need to get a part-time job, until my Social Security kicks in.”



MANY RETIREES ALSO REMAIN CONFUSED ABOUT THEIR TAXES

Several retirees are grappling with another key financial concern: tax obligations. Nearly half of retirees say they did not understand how taxes would impact their financial situation in retirement.



**of retirees are paying more
taxes in retirement than they
expected.**

And for some, these misunderstandings feel costly. Of the 4 in 10 retirees who report having different tax obligations in retirement than they expected, 60% find they're paying more in taxes than they had anticipated.



RETIREES ARE WORRIED THEY DIDN'T SAVE ENOUGH

Facing pressure from all angles, many retirees are watching their savings dwindle faster than expected. And some even find themselves facing a terrifying possibility: running out of money.

 33%

33% of retirees are concerned about running out of money in retirement,



and 1 in 8 (13%) say they're concerned they won't be able to leave an inheritance.

Some find these fears amplified by the potential for costly medical and health care. Roughly one-third of respondents cite ongoing health expenses — like access to preventive care — or the cost of a medical emergency as a source of financial stress. And 28% say they're concerned about other unexpected expenses.

Retirees are also concerned about their financial legacy as they eat into their savings. Nearly one in six (15%) say they're concerned about their spouse's financial security if they pass away, and 13% say they're worried they won't be able to leave an inheritance.



YET, MANY STILL LACK A FINANCIAL PLAN

Financial planning has the potential to help retirees weather the storm of economic uncertainty, but many haven't developed a written financial plan. More than half of retirees (55%) said they had no written financial plan. Those with defined financial goals and a written plan remain a minority — just 4 in 10 respondents.

55%

of retirees have no written financial plan

1 IN 5

have not set financial goals in retirement.



When asked why they don't have a plan, retirees' reasons run the gamut. For some, life just got in the way: an unexpected early retirement, medical issue, or bereavement made financial planning difficult. Others value their spontaneity or don't feel the need to plan. **But, distressingly, some retirees failed to plan due to lack of awareness. They may have wanted to plan, but they simply weren't sure where to start.**



FINANCIAL ADVISORS PLAY A PIVOTAL ROLE IN RETIREMENT PLANNING

Counsel from a financial advisor can help employees set goals and create financial plans for retirement. Among retirees who did create a written financial plan, 65% worked with a financial advisor to do so.



Managing financial stress: How advisors helped

The benefits of working with an advisor go far beyond planning. Seeking counsel helped retirees with other aspects of their retirement transition, including support that addresses some of today's top sources of stress:

Managing income and expenses amid inflation:



of retirees used a financial advisor to help them understand how to turn their savings into income.

Navigating market volatility:



said an advisor helped them understand their risk tolerance.

Meeting tax obligations:



used an advisor to better understand the tax implications of their financial situation in retirement.





HOWEVER, EMPLOYEES MAY NOT BE AWARE OF THEIR FINANCIAL WELLNESS BENEFITS

Our data demonstrates the benefits of financial planning while also revealing a troubling trend: many employees may not understand their financial benefits, including whether they have access to an advisor.

64%

of employers with 500+ employees say they offer financial benefits, including financial advice professionals.

But just

1 IN 4

respondents say they were offered a financial advisory benefit

Based on the proportion of medium and large employers that offer financial wellness benefits, one could expect roughly 4 in 10 respondents to have access to a financial advisor through their employer — significantly more than the 25% who said they were offered these benefits.

This alarming gap indicates that many struggling retirees may simply not be aware that help was within their reach. It underscores the need for employers to bridge the “awareness gap” to ensure their workplace financial solutions reach those who need them most.

However, there is a silver lining: among the retirees who were aware that their financial benefits included access to a financial advice professional, 72% sought counsel. This means that, when done effectively, outreach can play a profound role in connecting employees to the financial planning resources they need.

KEY TAKEAWAYS FOR EMPLOYERS

Put employees on track to a healthier financial future by taking action today.

Ensuring employees' well-being in retirement calls for a multi-faceted approach that both provides workers access to workplace financial solutions and helps employees understand their financial benefits.



EMPLOYERS SHOULD CONSIDER THE FOLLOWING BEST PRACTICES:



Offering employees a range of workplace financial solutions including access to financial professionals.



Soliciting employee feedback to gain insight into their awareness of their financial benefits.



Using tailored communications to raise awareness of workplace financial benefits, highlighting the real-world impact a financial advisor can have on retirement readiness.



Encouraging early adoption with resources tailored to a range of financial goals and situations, such as buying a home, having a baby, or navigating inflation.



Crafting a plan to on-board new hires and reaching out to employees during key career milestones to encourage financial benefits participation.

CREATE A BRIGHTER FINANCIAL FUTURE

Support a more secure retirement with holistic workplace financial solutions

The stark financial reality for many retirees today should serve as a wake-up call for employers and underscore the importance of supporting your workforce with tailored solutions that promote financial well-being at every stage of life. Continued outreach not only helps employees meet their earlier financial goals but begin retirement readiness early — so they're financially prepared when the time comes.

Edelman Financial Engines offers personalized financial solutions for employees at every stage of their career, from hiring into retirement and beyond.



METHODOLOGY

The Retiree Reflections Survey was fielded from April 26, 2022, to May 8, 2022, by the Employee Benefits Research Institute (EBRI). Respondents were qualified as retirees based on a two-part test: Either they considered themselves “retired, not working” or “retired, working part time,” or they had an active labor market status but considered themselves retired from a primary career. The survey sought to understand use of a financial plan in retirement, financial advisor use/assistance, priorities in retirement, spending concerns in retirement, financial worries preretirement and postretirement, and reflections upon past financial decisions.

Quotas were set on age and gender based on the U.S. Census to be representative of the American population ages 55–80. Data are otherwise unweighted. Unless otherwise indicated, the data represent a sample size of 1,109. At 95 percent confidence, the margin of error is 2.94 percent in a similarly sized random sample. Please note percentages in the following tables and charts may not total to 100 due to rounding and/or missing categories.

The sample of 1,109 included American retirees between the ages of 55 and 80 with \$50,000–\$5,000,000 in financial assets. Approximately half of the retirees surveyed were in their 60s (Figure 1). The average birth year for the sample was 1955, reflecting an average age of 66 for year-end 2021. Median birth year and age were similar, at 1956 and 65 years respectively, as of year-end 2021. Survey respondents were 45 percent male and 55 percent female. Seven in ten (70 percent) reported being married or living with a partner, and 22 percent reported being divorced, separated, or widowed.

Financial assets are defined as the sum of liquid assets, including the value of stocks and mutual funds; checking, savings, and money market accounts; certificates of deposit (CDs), government savings bonds, Treasury bills, and bonds and bond funds; and other savings. In terms of financial assets, 64 percent of the sample had between \$50,000 and \$499,000 in assets; 22 percent had \$500,000 to \$999,999; and 14 percent had \$1,000,000 or more. The average value of financial assets was \$522,000, while the median was \$250,000.

Approximately 9 in 10 (92 percent) retirees surveyed were White, while 87 percent reported to have a college degree or higher. Nearly 1 in 5 (18 percent) had a military background, but the majority (82 percent) have never served in the military.

REFERENCES

1. Vecchiarello, Don. "Bank of America Study Finds 84% of Employers Now Say Offering Financial Wellness Tools Helps Increase Employee Retention." Bank of America, 27 Sept. 2022.

LEARN MORE

2. Bearden, Bridget. "Retiree Reflections." Issue Brief, no. 561, June 2022, p.1.

LEARN MORE

ABOUT EDELMAN FINANCIAL ENGINES

Since 1986, Edelman Financial Engines has been committed to always acting in the best interests of our clients. We were founded on the belief that all investors deserve access to personal, integrated financial planning and investment advice. Today, we are America's top independent financial planning and investment advisory firm, recognized by Barron's,¹ with 145+ offices² across the country and entrusted by more than 1.3 million clients to manage more than \$241 billion in assets.³ Our unique approach to serving clients combines our advanced methodology and proprietary technology with the attention of a dedicated personal financial planner. Every client's situation and goals are unique, and the powerful fusion of high-tech and high-touch allows Edelman Financial Engines to deliver the personal plan and financial confidence that everyone deserves. For more information, please visit EdelmanFinancialEngines.com.

¹ The 2021 Top 100 Independent Advisory Firm Ranking issued by Barron's is qualitative and quantitative, including assets managed, revenue generated, regulatory record, staffing levels and diversity, technology spending and succession planning. Firms elect to participate but do not pay to be included in the ranking. Compensation is paid for use and distribution of the rating. Investor experience and returns are not considered.

² Firm stats as of Dec. 31, 2021.

³ Firm stats as of June 30, 2022.

