

Executive Summary

Helping Employees Save for the Unexpected

Edelman Financial Engines, in partnership with the America Saves Week team, the Bipartisan Policy Center and Funding Our Future, conducted research in January 2021 to examine current employee sentiments surrounding their finances, as well understand how prepared employees are for a true financial emergency. Following are key findings from that research.

Many working Americans are still struggling financially, but a majority are surprisingly optimistic about their financial future.

- More than 1 in 3 working Americans (35%) say their financial situation is worse than it was a year ago.
- A majority of working Americans (58%) still report feeling somewhat or very financially secure.
 - That said, there is a great divide in those sentiments, with 83% of those with incomes above \$100,000 feeling financially secure, compared to only 43% of those with incomes below \$50,000.
- A majority of working Americans (58%) think their future financial situation will be better than it is today.
 - Younger generations express the most optimism for the future (75% of GenZers think their financial situation will be better), and that optimism wanes significantly with age (only 44% of Baby Boomers think their financial situation will be better in the future).
 - Workers in urban communities are especially likely to be optimistic about their financial future (73%).

Many working Americans are taking the right steps when it comes to emergency savings, but most are still not as prepared as they need to be.

The good news

- The majority of working Americans (66%) report having some sort of “emergency savings”.
- Having emergency savings made people more prepared and enabled them to take less harmful actions when faced with financial challenges in 2020.
 - Working Americans reported a higher likelihood to have paid for personal expenses last year via emergency savings funds than they did taking on credit card debt, withdrawing from their retirement accounts or taking out payday loans, among other actions.

- Emergency savings is among the top 3 topics working Americans want to discuss with an advisor. In fact, 58% are particularly interested in discussing this topic.
- 42% of working Americans explicitly stated they would like the opportunity to have their employer divert a portion of their paycheck to an emergency savings account.
 - Millennials are especially interested (57%), as are Hispanic (53%) and Black (51%) workers and those who report having borrowed or withdrawn money from their retirement account last year (61%).
- Working Americans with higher incomes are generally well prepared – nearly 1/3 of those with household incomes over \$100,000 say they could pay their bills for 12 months or longer if their income suddenly stopped.

The bad news

- 40% of working Americans report they had difficulty paying for a personal expense in 2020.
- 1 in 3 working Americans say they would run out of savings on hand in 1 month or less if their income suddenly stopped.
- More than 1 in 5 Americans (21%) with access to a workplace retirement account report having borrowed or withdrawn money from those retirement accounts in 2020.
- A surprisingly high 13% of individuals report that they took out a payday loan to cover an expense in 2020. It was even higher for Millennials (20%).
- Even if individuals weren't struggling themselves, they knew someone who was. 39% say they provided money to family or friends who needed financial assistance during 2020.
- Nearly 1 in 2 working Americans (45%) would have difficulty paying for a \$400 emergency expense, meaning they say they would not cover it with savings or put it on their credit card and pay it off at the next statement; 11% say they would be unable to come up with the money.

All things are not equal. The data supports a k-shaped recovery that reveals inequities across gender, race and income levels most notably.

Incomes below \$50,000

- Nearly half (43%) of those with household incomes below \$50,000 do not have money set aside for an emergency.
- A majority of working Americans (57%) with household incomes below \$50,000 feel somewhat or very financially insecure, at a rate 3.5x that of those with household incomes above \$100,000 (17%).
- 1 in 2 individuals (52%) with household incomes below \$50,000 say they had difficulty paying for an expense in 2020.
- 1 in 3 individuals with household incomes under \$50,000 said they would run out of savings on hand in less than 1 month if their income suddenly stopped (vs. just 7% for individuals with household incomes over \$100,000).
- 75% of individuals with household incomes under \$50,000 don't have, or don't know they have, access to an advisor through work, a significant disparity when compared to those with incomes over \$100,000.

Women

- More women (39%) than men (31%) say they are in a worse financial situation than this time last year.
- Women are less optimistic about their financial future than men.
- Women report less financial security than men. In fact, nearly 1 in 2 women (47%) feels somewhat or very financially insecure.
- 1 in 3 women (32%) say they do not have any money set aside for an emergency.
- Women are less likely than men to report having access to an advisor: 71% of women don't have, or don't know they have, access to an advisor through work.
- More than half (52%) of women with access to a financial advisor through their employer say they have not used it, a stark contrast to their male counterparts who are far more likely to take advantage.

People of Color

- Nearly half (45%) of Hispanic workers say their financial condition is worse off than it was a year ago.
- Roughly half of Black (49%) and Hispanic (48%) workers say they are somewhat or very financially insecure compared to 39% of White workers.
- More than 1 in 3 Black workers (36%) say they have no savings on hand in case of an emergency.
- Roughly half of Hispanic (55%) and Black (46%) workers report that they struggled to pay for a personal expense last year compared to just over 1 in 3 White workers (36%).
- Hispanic (21%) and Black (17%) workers used payday loans at higher rates than White workers (12%) in 2020.

Solutions: There are several ways employers can help employees save for the unexpected.

- Make emergency savings accounts available for employees through the workplace. Federal policymakers can facilitate this by allowing for automatic enrollment.
- Encourage employees to automatically save a portion of their paycheck into a personal emergency savings account.
- Provide personalized advice through the workplace to help employees better understand how much they should have saved for emergencies.
- Ensure everyone feels included. Understand the unique needs of all groups, especially those most vulnerable, to provide specific, targeted programs to drive higher adoption of help and close the current gaps.

Methodology

Edelman Financial Engines, in conjunction with America Saves Week, the Bipartisan Policy Center, and Funding Our Future, conducted an online survey of America's employees January 22-25, 2021, across a sample of 1,599 employed adults, who were employed in January 2020 or are currently employed. Questions BPC 15-17 were conducted between February 10-12, 2021 among a national sample of n=945 adults who are currently employed. Aggregate data is reported with +/-2% margin of error. Fielding was conducted on the Morning Consult Platform. Demographics are available upon request.