

FINANCIAL LIFE BENEFITS™

2020 Workplace Benefits Report

Our 10th year of examining trends in workplace benefits and wellness





Looking towards the future of Workplace Benefits

After 10 years of conducting research to inform our annual *Workplace Benefits Report*, the Retirement and Benefit Plan Services team has learned a lot about how employers look at benefits and financial wellness programs, and even how employees feel about their own financial situation. The insights we have gleaned have helped us enhance our benefit plan offering, innovate new financial wellness solutions and educate employers so they can do more to help support their employees' financial wellness.

The most exciting news as we look back is how workplace financial wellness programs have grown in prevalence, size and scope. More and more employers — regardless of revenue or size of workforce — are embracing these programs as integral to their benefits offering. And they are expanding these programs to go beyond simple retirement savings to address the full range of financial needs. Employers are also seeing the connection between employee financial wellness and productivity — and how critical these programs are to business success.

And while employees have shown great strides in being better prepared to manage their finances and take necessary steps to improve their financial wellness, there are employees who may need additional support or guidance — especially women and younger generations. Employees are also looking for help not only with a wide range of short- and long-term

financial goals, but also with ways to improve their overall wellness, including their mental and physical well-being. The coronavirus is affecting us all and has brought the idea of holistic wellness into sharper focus, which is a trend that we are increasingly focusing on as the next frontier in workplace wellness programs.

We were already in the process of collecting data for this year's report when the coronavirus really started to take hold in the United States, and employers and employees were faced with restrictions and stay-at-home orders. We saw early indications that the virus and the related economic results did have an impact on feelings of wellness, and we expect these effects to last for the foreseeable future. We are committed to continuing to monitor how these trends play out, as well as continuing to explore all aspects of workplace wellness. And we are equally committed to continuing to share our findings with employers — to help them make informed decisions about their workplace wellness offering and to better serve the needs of their employees.

Lorna Sabbia
Head of Retirement and Benefit Plan Services

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Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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62%

of employers feel extreme responsibility for their employees' financial wellness, up from 13% in 2013¹

83%

of employers believe financial wellness tools lead to greater productivity

49%

of employees say they are feeling financially well today, down from 61% just two years ago²

59%

of employees say they don't have control over their debt, likely contributing to reduced feelings of financial wellness

67%

of eligible employees contribute to their Health Savings Account (HSA)

47%

of employers are promoting workplace wellness with established diversity and inclusion programs

¹ Source: Bank of America, 2013 Workplace Benefits Report, 2013.

² Source: Bank of America, 2018 Workplace Benefits Report, 2018.





The last decade has seen impressive growth in workplace wellness

Ten years ago, Bank of America expanded our relationship with employers across the country through research on how they approached employee benefits programs and financial wellness in the workplace. Through open dialogue with decision makers, we believed we could gather insights that would let us better serve them and — in turn — their employees. The insights we have gathered have helped employers make more informed decisions about the benefits they offer and have also helped Bank of America innovate, creating new services and benefit offerings that address the expressed needs of employers and employees.

Over the years we have conducted this research, the data shows us that employees' senses of financial wellness and company health are interconnected. Employee financial wellness has a direct impact on overall happiness and

productivity. And employers who include financial wellness as part of their benefits program have more focused and motivated employees.

During this time, we have also seen a continued movement away from company-funded benefits towards more self-directed options — especially in the areas of retirement and healthcare. In turn, an increasing number of employers of all sizes have started to offer financial wellness programs as well as assistance with non-financial concerns, like healthcare. Employers realize that they need to be the ones to bridge the gap and provide tools and guidance that help deliver more holistic support for employees across topics. Some employers are going even further and expanding support to more fully address the whole employee, including additional benefits that support physical and mental wellness.

The coronavirus brings the topic of holistic well-being into sharper focus

The additional stresses related to the coronavirus have elevated the topic of well-being in many ways. Employees are likely facing increased stress levels, greater demands on their time and potentially the added complexity of simultaneously working from home and serving as a full-time caregiver.

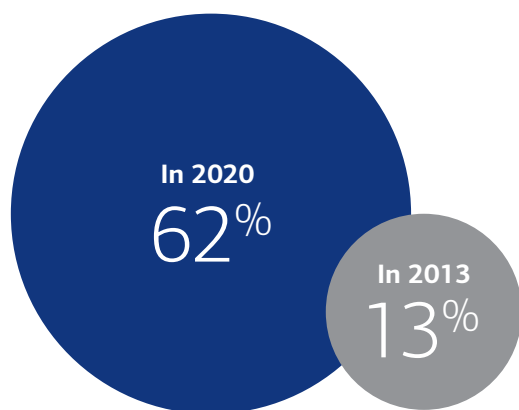
While the effects of these unprecedented times have yet to be fully understood, employees have already noted an increased strain on their physical and mental health, a greater impact on the interactions between *all* aspects of their well-being and increased impact of overall well-being on productivity.

These trends are likely to continue until things return to normal — underscoring the importance of employers thinking more about how they can better support overall well-being to mitigate the effect on their employees and their firm.

Employers are taking a larger role in supporting financial wellness^{3,4}

The good news is that we are seeing a significant increase in the responsibility employers take in helping their employees feel financially well. Since we first asked employers, the number that feel an extreme responsibility has grown more than fourfold. And employers' sense of responsibility is even

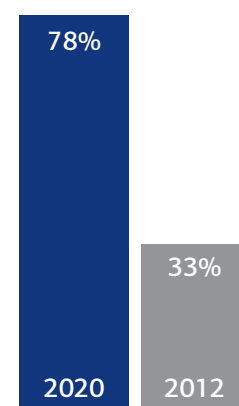
greater when it comes to retirement-related topics. Today, the majority of employers understand that helping their employees on the path toward financial wellness is not a “nice to have,” but an integral part of how they attract and retain talent as well as ensure a happy and productive workplace.



of employers feel extreme responsibility for their employees' financial wellness



Percentage of employers who feel very/extremely responsible for helping employees with retirement healthcare needs/costs



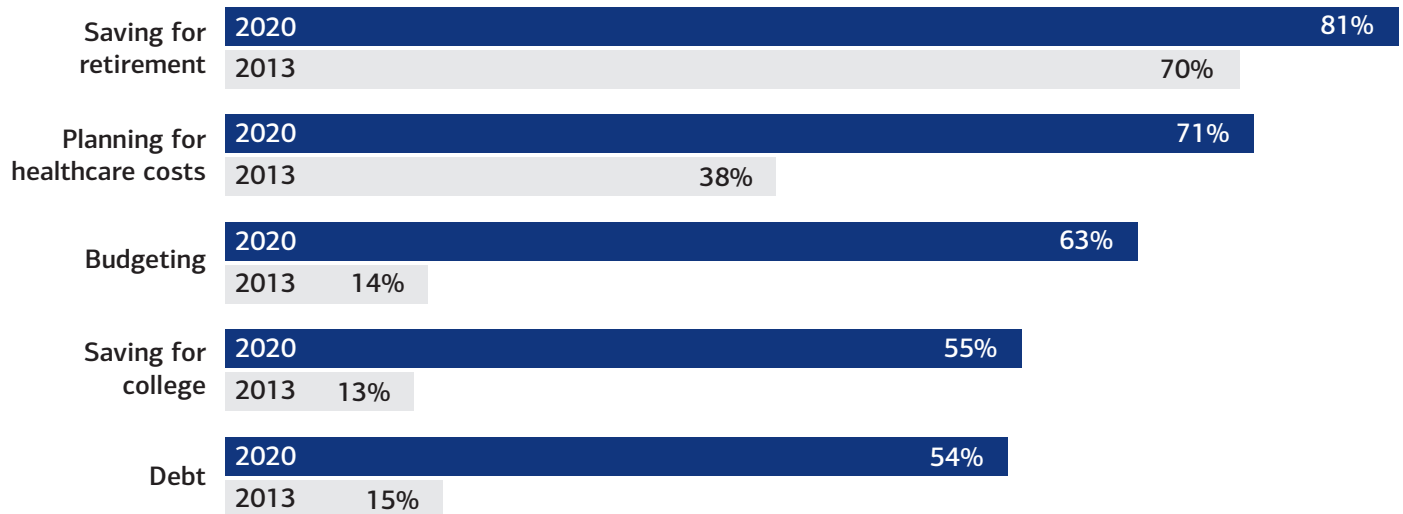
Percentage of employers who feel very/extremely responsible for helping employees with sustaining assets through retirement

³Source: Bank of America, 2013 Workplace Benefits Report, 2013.

⁴Source: Bank of America, 2012 Workplace Benefits Report, 2012.

Even more impressive is how workplace financial wellness has grown to address the full range of employee financial concerns. Workplace wellness programs have expanded to go beyond retirement planning and now address a wider range of financial topics — from healthcare costs to debt management — that all affect an employee’s sense of financial well-being.

The range of topics financial wellness plans cover has increased significantly⁴



Financial wellness is now an essential workplace benefit

The growth of financial wellness programs in the workplace also means that expectations have shifted. At companies of all sizes, employees expect benefits programs that go beyond the basics. Employees now want to see education and support that will help them not just save for retirement, but also help with everyday financial decisions — from making retirement savings last to managing healthcare costs, managing debt more effectively, using budgeting and saving techniques and balancing competing financial goals.

While many employers feel a genuine responsibility to help their employees manage their financial wellness, good business reasons have also driven the expansion of these programs.

Growth in financial wellness is seen to deliver tangible results

And when they are asked, **more than 8 in 10 employers** across companies large and small indicate they believe that employee financial wellness helps deliver:

- More loyal employees
- Greater employee productivity
- More satisfied employees
- More engaged employees

⁴Source: Bank of America, 2013 Workplace Benefits Report, 2013.

Wellness is dynamic and evolving

The most impactful programs are those that are comprehensive and address the full range of employee needs. This requires a more responsive plan design as well as tools and access to advice that can help address each employee's unique needs — and provide them with personalized guidance on how to pursue their goals. And because feelings of wellness are increasingly multidimensional, wellness benefits should consider factors beyond the financial and address more holistic definitions of wellness.

The data shared as part of the *Workplace Benefits Report* is designed to help connect employers with information about employee needs and desires. That is why we continue to look at both financial and non-financial topics. Armed with insight on the mindset of their employee base, employers can make more informed decisions and better help their employees achieve wellness in its many forms.

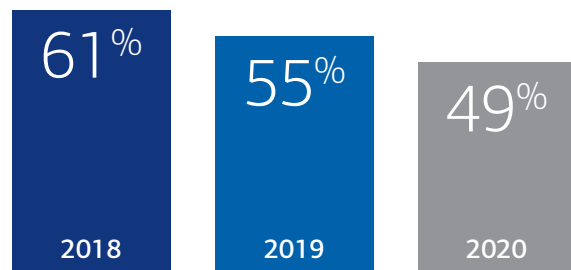




While workplace support is growing, financial wellness is falling

While we have seen a sustained increase in the offering of financial wellness programs, employee financial wellness has declined. Financial wellness can be influenced by a wide range of factors and is likely to fluctuate over time as employee goals and priorities change. The goal of any financial wellness program is to promote good habits and positive financial decision-making to help employees navigate changing market environments and better manage their evolving goals — which is even more important as the coronavirus creates new challenges to maintaining financial wellness.

The number of employees who rate their financial wellness as good or excellent is declining^{5,6}

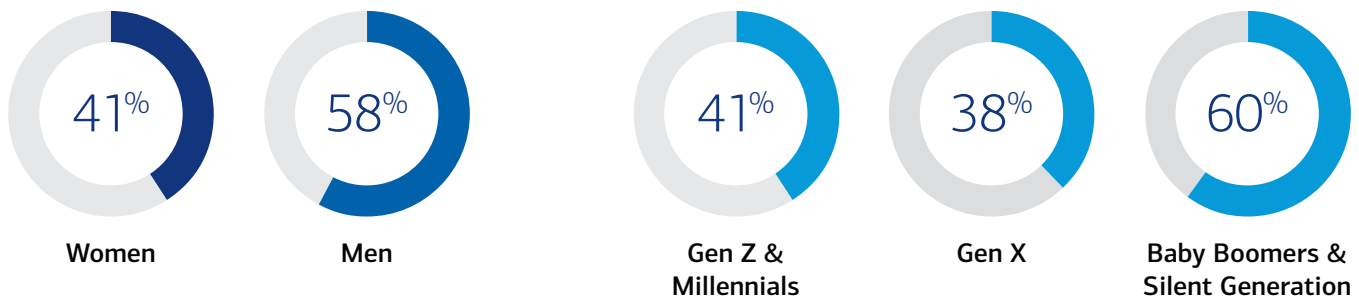


⁵Source: Bank of America, 2018 Workplace Benefits Report, 2018.

⁶Source: Bank of America, 2019 Workplace Benefits Report, 2019.

Financial wellness programs also need to accommodate the fact that different employees may need different levels of support. Women tend to lag their male counterparts in feeling financially well — exacerbated by the fact that women often make less than their male counterparts and are more likely to take time out of the workforce to raise a child or provide care for a family member. And younger employees tend to lag their older counterparts, likely driven by fewer years in the workforce and less experience pursuing their financial goals.

Percentage of employees who rate their financial wellness as good or excellent



Across the generations, goals differ as well.

Younger generations

tend to be more focused on short- to medium-term goals, like paying off credit cards or making a home purchase,

while older employees

tend to be more focused on long-term goals like retirement.

The top 3 financial goals for:

Gen Z & Millennials

- 1 Paying off credit card debt

- 2 Buying my first house

- 3 Growing savings to pay for unexpected expenses

Gen X

- 1 Saving for retirement

- 2 Paying off credit card debt

- 3 Growing savings to pay for unexpected expenses

Baby Boomers & Silent Generation

- 1 Saving for retirement

- 2 Paying off a mortgage

- 3 Paying off credit card debt



Again, when looking at their goals, women tend to differ significantly from men, with a focus on more short-term needs at the expense of their long-term goals. This is especially significant when you look at life expectancy where women, on average, tend to live six to eight years longer than men.⁷

Women are more than twice as likely to rank paying off credit card debt in their top 3 goals



Women's top 3 financial goals

- 1 Saving for retirement
- 2 Paying off credit card debt
- 3 Growing savings to pay for unexpected expenses



Men's top 3 financial goals

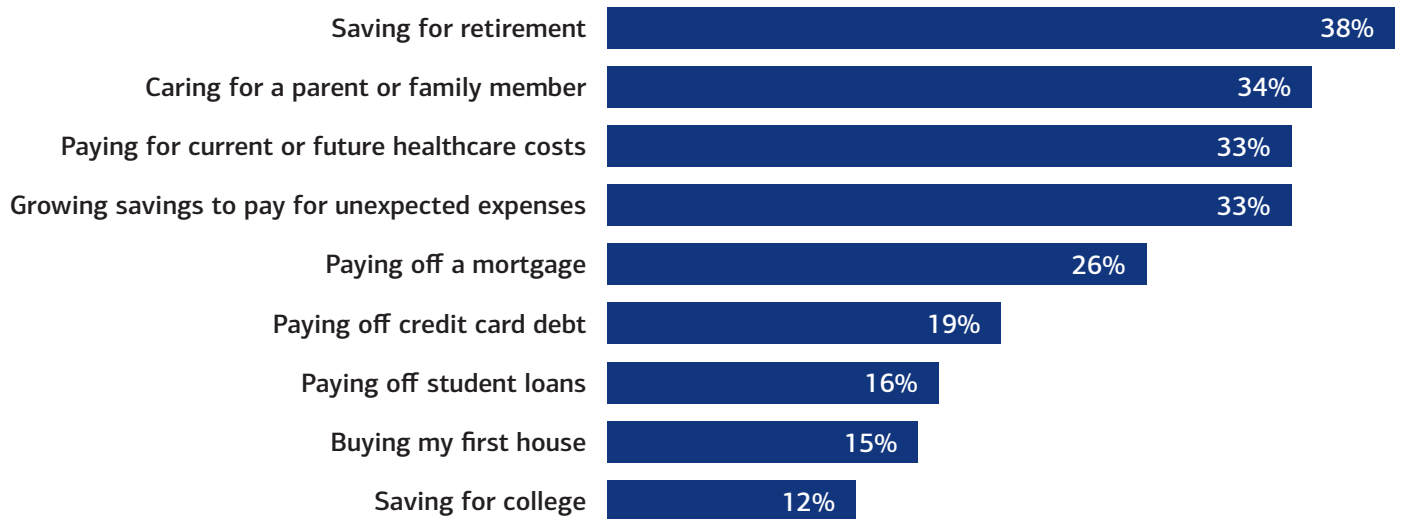
- 1 Saving for retirement
- 2 Paying off a mortgage
- 3 Growing savings to pay for unexpected expenses

⁷Source: World Health Organization, *Global Health Observatory: Women's Life Expectancy*, 2020.

Regardless of where they are focused, employees have a way to go

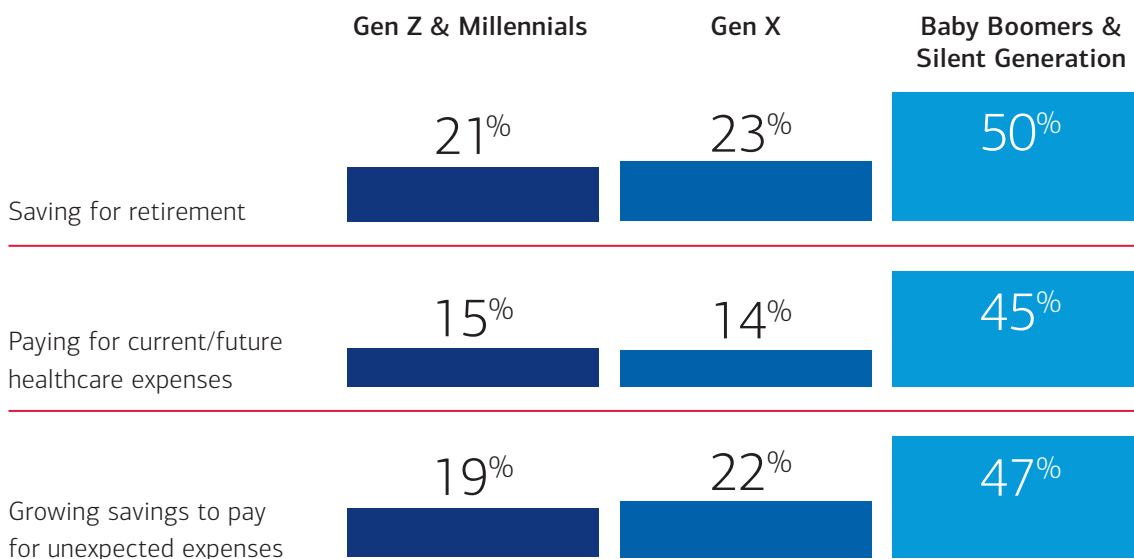
In addition to asking about their feelings of financial wellness, it is also important to ask employees how they feel they are doing when it comes to achieving their goals. Irrespective of what their goals are, less than four in 10 employees would say that they have made significant progress towards those goals. Employees feel they have made the most progress towards saving for retirement, while short-term goals like debt management and purchasing a first home rank near the bottom of the list.

Few employees say they have made significant progress towards their goals



More surprising is the stark difference among the generations on feelings of progress. Baby Boomers and the Silent Generation far outstrip others in their sense of progress. Gen Xers tend to have feelings of progress that are similar to their younger counterparts, potentially indicating a lack of progress among members of this generation.

Feelings of progress differ across generations



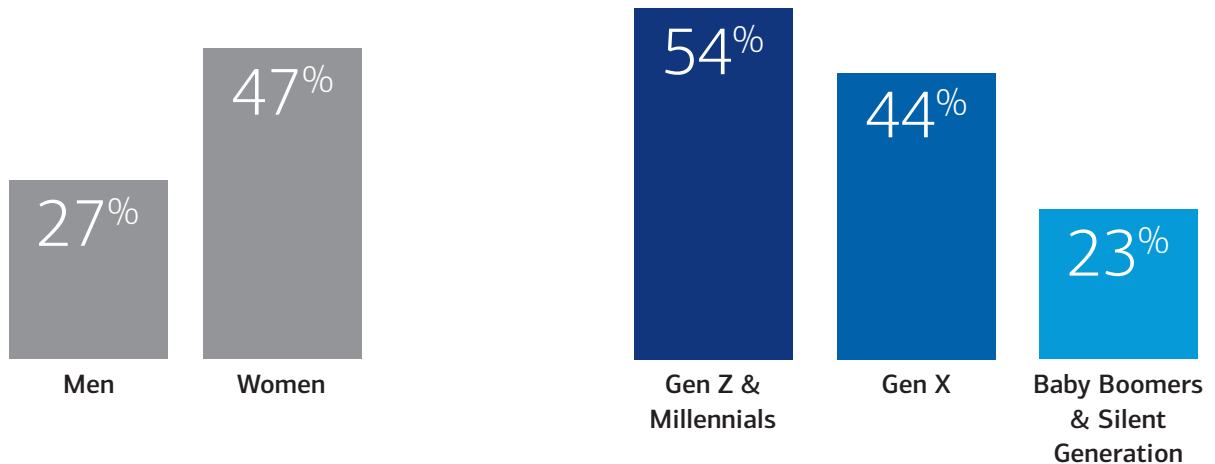
A sense of being cash-strapped is likely contributing to these challenges

The top reason employees cite as to why they have not made more progress towards their goals is a purely economic one — they feel they don't have any spare money left after their monthly expenses. This feeling is higher among women and younger employees, further underscoring the need for financial wellness programs to address both employees' short- and long-term financial goals. When employees struggle to meet their short-term financial obligations, they are less likely to be able to focus on their long-term goals. Helping employees address topics like budgeting and saving, as well as retirement, may help create a sense of confidence and offer actionable skills that can help them allocate their income differently so they can achieve more of their goals.



Women are nearly twice as likely to cite not having spare money after monthly expenses as their main challenge.

Similarly, younger employees are also more likely to feel cash-strapped.







Debt management plays a significant role in financial wellness

In addition to a sense that they don't have any spare money left at the end of the month, lack of control over their debt may be preventing employees from making progress towards their financial goals. Debt maintenance costs eat into funds that could be used towards current expenses or long-term savings goals. And debts can also have an emotional price, eroding a sense of overall well-being. Nearly six in 10 employees say they do not have a high level of control over their debt, and nearly four in 10 say it affects their ability to achieve their financial goals.

59%

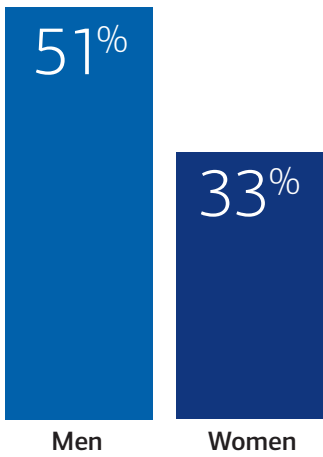
of employees say they do not have a high level of control over their debt

36%

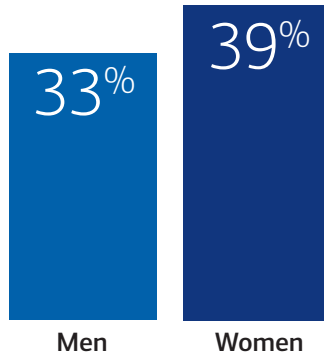
of employees say their debt has greatly affected their ability to meet their financial goals

Looking at debt brings into sharper focus how women lag their male counterparts. Women are more likely to feel they lack control of their debts and view it as an obstacle to their other goals.

Men are more likely to feel in control of their debts

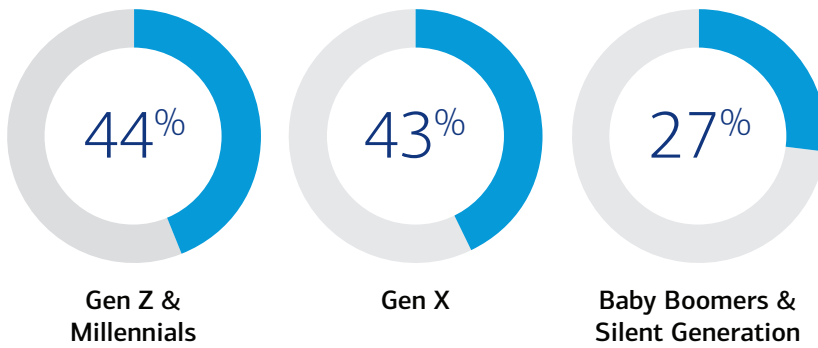


Women are more likely to view debt as an obstacle



And similar to overall feelings of financial well-being, younger employees mirror women with similar concerns about the challenges debt causes in pursuing their other goals.

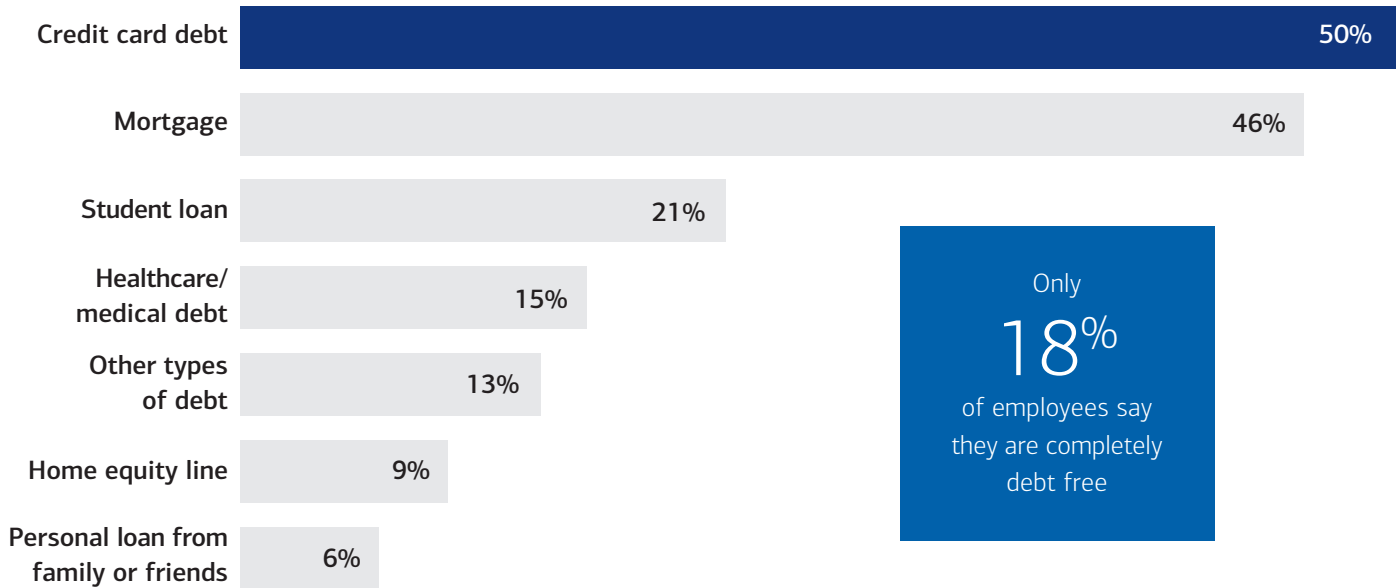
Younger generations also view debt as an obstacle to their other goals



Debt management is a multifaceted, yet almost universal, challenge

Fewer than one in five employees say they are completely debt-free. Given the prevalence of employees having to balance debt management with current expenses and planning for the future, financial wellness is inexorably linked to debt management. The nature of the debt employees have also varied. While “good” debt — like a mortgage — is common, credit card debt tops the list.

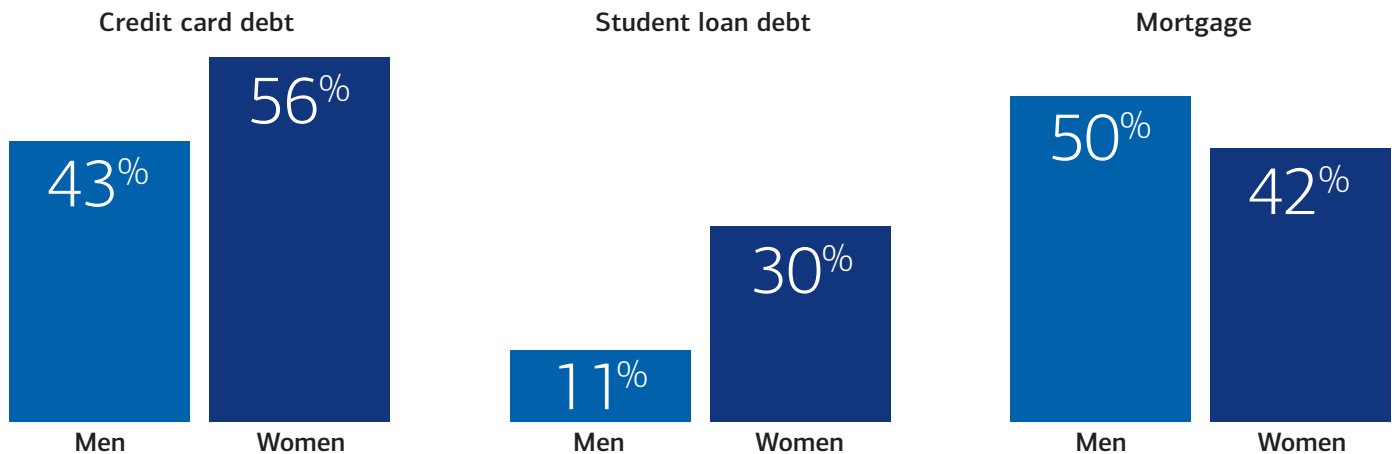
Employees are managing a variety of debt



Given the short term and potentially high interest associated with credit card debt, it is no wonder that it has an impact on employees’ ability to manage their other goals. This underscores the importance for financial wellness programs to address debt to help employees take control — in a way that increases their ability to focus on longer-term objectives.

Women may also benefit more from debt management support

A focus on debt can also help employees address the needs of women in the workplace as they are more likely to hold credit card debt, are much more likely to have student loan debts and are less likely to have a mortgage than their male counterparts.





Healthcare costs continue to be a blind spot for employees

One expense that employees often don't adequately prepare for is healthcare — both today, but more importantly, in the future. Healthcare costs continue to rise and, crucially, are an expense that continues into retirement. When asked if they are planning and saving for healthcare expenses in retirement, 51% of employees said yes, but only 13% are planning and saving in a dedicated way.



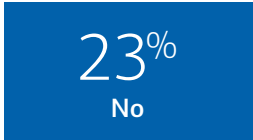
I have separate savings specifically for future healthcare expenses



Yes, but I plan to use my retirement savings if I end up with healthcare expenses



I expect Medicaid, Medicare or Social Security to cover my healthcare expenses



This is not something I think about

Health Savings Accounts can help employees prepare, if used correctly

For employees covered by a high deductible health plan (HDHP), one of the best ways they can prepare for healthcare costs now and in the future is through a Health Savings Account (HSA).

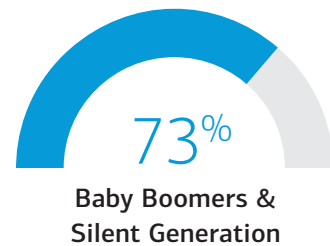
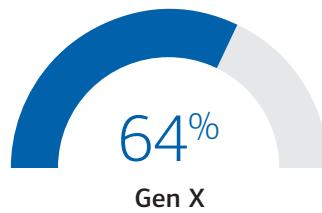
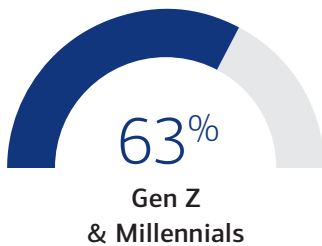
The good news is that the majority of employees are contributing towards their HSA and using the funds to cover medical expenses.

While still only at 16%, the prevalence of HDHPs has been increasing — which means more employees are eligible to save using an HSA, and younger employees are more likely to be covered by an HDHP.

However, among those covered by an HDHP, younger employees are less likely to be taking advantage of this tax-advantaged way to save for their healthcare expenses — and are missing out on the ability to prepare for healthcare expenses well into the future.



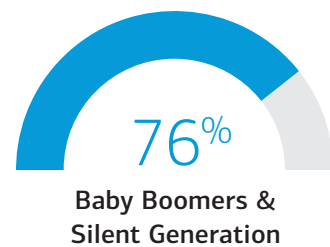
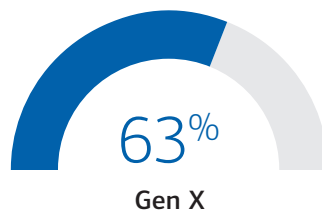
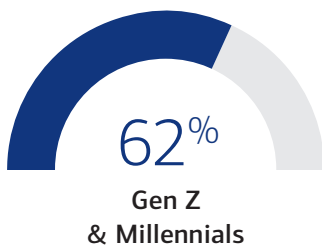
Percentage of eligible employees making a contribution into their HSA



Employees are saving in their HSA, but they are also spending. It is logical that older employees are withdrawing from their HSAs, but younger employees are spending at high levels as well. This means younger employees are not taking advantage of the tax-deferred growth potential of HSAs and aren't using their HSA to help them prepare for future health expenses lasting to and through retirement. One potential factor driving this behavior is that employees tend not to understand how HSAs work — with only 11% of employees able to correctly identify its attributes — including the long-term savings benefits these accounts can offer.⁸



Percentage of eligible employees withdrawing funds from their HSA



⁸Source: Bank of America, 2019 Workplace Benefits Report, 2019.





Employees are hungry for help

Employees are looking for help managing a range of financial topics as they navigate their journey to financial wellness. More importantly for employers, they show a willingness to take advantage of education, advice and financial services if offered in the workplace. When asked what prevents them from making more progress towards their goals, often a lack of access to guidance is cited as a roadblock. This is a challenge that employers can help overcome directly by serving as a trusted resource on financial topics.

If your employer were to offer all of the financial resources below, which would be the most important to you?

41%

Advice from a professional, such as a financial advisor, planner or accountant

30%

Information on retirement plans

28%

Availability of financial products/services that help employees

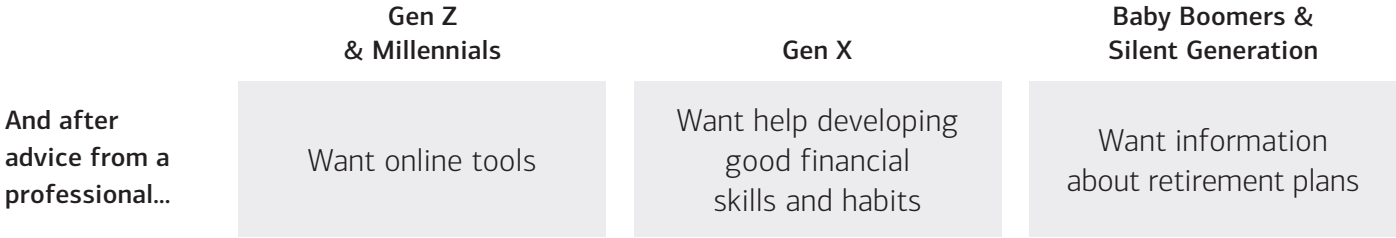
27%

Online financial tools or calculators

27%

Developing financial skills and good financial habits

And while access to a professional financial advisor is at the top of the list for all employees, their second most important resource does vary by age group.

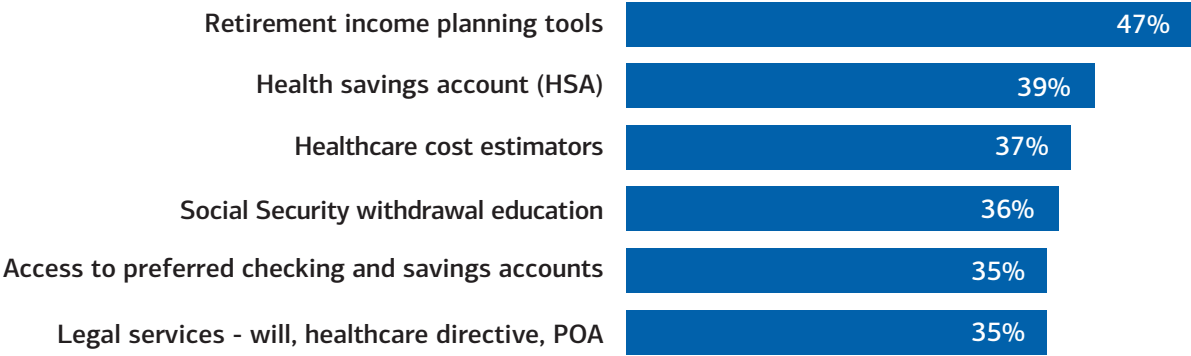


But employees have a desire for a wide range of resources to address the breadth of the challenges they face. Beyond the support noted here, employees also react positively to other forms of help — including tips for preparing for a financial shock, receiving a report card that can help them measure their financial health and even support to help them plan and take action. This underscores the urgency for financial wellness programs to strive to offer comprehensive help that meets a myriad of needs.

Employers don't have to provide these services themselves

For employers who are thinking about how they can offer financial wellness as part of their benefits plan, employees show a willingness to accept help on a wide range of topics from a third party if provided through their workplace. This means that employers can seek out a third-party provider that offers a wide range of financial tools and resources as an easy way to serve the needs of employees.

Percentage of employees who were very willing to use financial tools and resources that are provided by a third-party financial firm



However, if employers are considering how to structure their workplace financial wellness program, it is important to note that employees have a wide range of needs. A truly holistic program must offer solutions that can deliver the support employees are asking for, including:

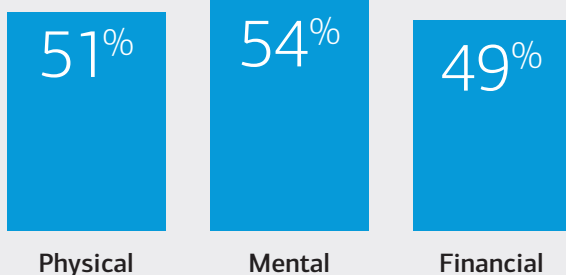
- A step-by-step roadmap for accomplishing my goals
- Progress reports on where I stand currently and where I need to get to
- A way to track my finances, including my debts
- Streamlined information, where I can see all my information in one place




Promoting more holistic definitions of wellness

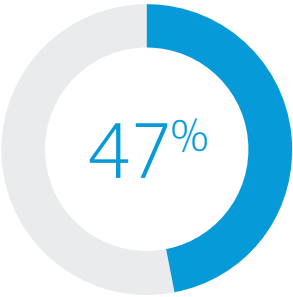
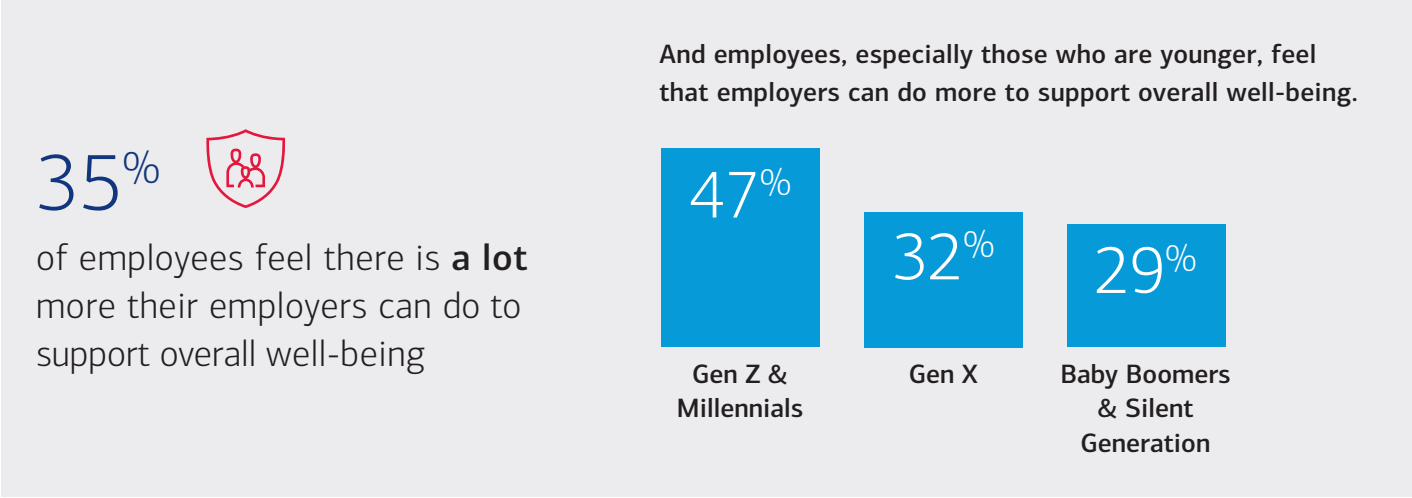
While support for financial topics is well established, it is the employees themselves who are pushing for support across wellness topics and for support that goes beyond their finances. When asked what factors contribute to their sense of overall well-being — and therefore productivity — physical and mental aspects actually outrank financial ones.

Effects of different aspects of well-being on overall well-being



57% 
of employees feel their well-being has a great impact on their productivity

Employee expectations about holistic wellness are growing



47% of sponsors currently offer specific programs to promote diversity and inclusion

Diverse and inclusive workplaces can also promote overall wellness

At Bank of America, we believe that our diversity makes us stronger and is essential to our ability to serve our clients, fulfill our purpose and drive responsible growth. We recognize the potential of every employee by actively encouraging a diverse and inclusive workplace and are heartened to see that the employers we work with agree. We also believe that inclusivity can contribute to overall feelings of wellness among employees.

The good news is that more and more employers agree. Employers are taking steps to formalize diversity and inclusion efforts and see value in promoting diversity and inclusion programs as something that is important for talent management, corporate culture and even keeping up with the competition.

Percentage of employers who say diversity and inclusion programs are:



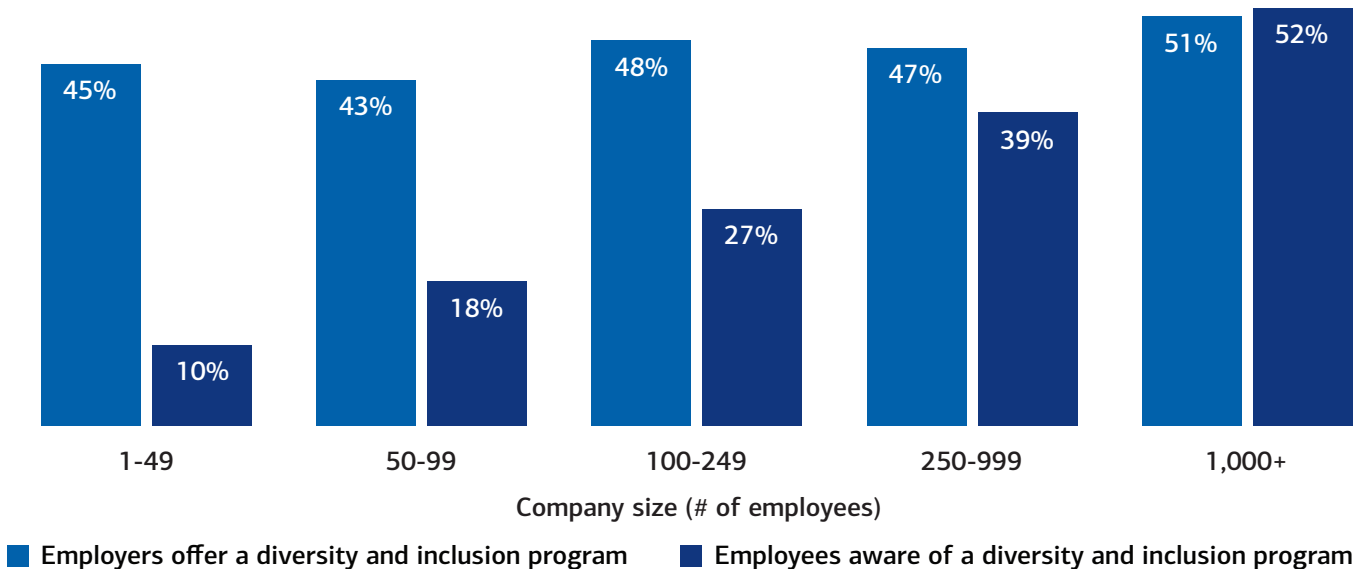
What is diversity and inclusion?

While both can contribute to the performance of a company, diversity and inclusion are related and complementary goals:

- **Diversity** is the act of ensuring that a workplace represents the world at large with employees from a range of life experiences and personality types, including veteran status, as well as representing all races, genders, sexual orientations, abilities, cultures, religions and perspectives.
- **Inclusion** is the proactive and intentional steps employers and companies take to engage diversity in the workplace to make sure all points of view are represented and valued while also creating opportunities for people from diverse backgrounds to engage and connect.

Companies of all sizes are embracing diversity and inclusion

Across the spectrum of company sizes, a relatively consistent proportion of employers indicated that they had a diversity and inclusion program in place. However, when asked if employees were aware of the program, smaller companies lagged their larger counterparts. Employers that want to promote overall wellness should not only be putting these programs in place, they should also take steps to proactively promote them to employees, and smaller companies should make efforts to close the awareness gap.







Action steps for employers

Employers who are looking to increase overall employee wellness may want to think about how to create a program that goes beyond financial topics and embraces each employee's whole person. They can do so by considering these four action steps.



1 Address common employee challenges that go beyond retirement saving — like budgeting, debt management and managing healthcare costs

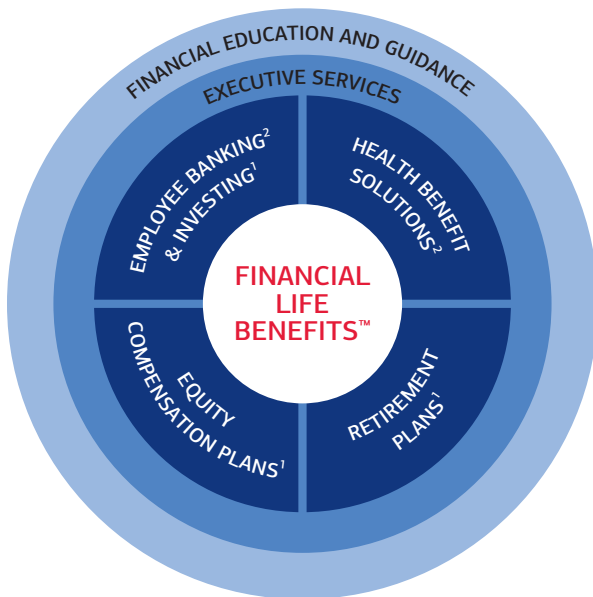
2 Provide guidance across a spectrum of financial goals and priorities, addressing short-term challenges and planning for long-term goals together

3 Acknowledge differences within the workplace and the ways needs may differ based on gender or age, so financial wellness tools speak to the unique needs of each employee group

4 Think about wellness in a more holistic way, one that acknowledges the interconnected nature of financial, physical and mental wellness

Bank of America Financial Life Benefits™

Helping employees take control of their financial lives



¹ Investment products are available from Merrill Lynch, Pierce, Fenner & Smith Incorporated.

² Bank products are available from Bank of America, N.A., and affiliated banks.

Financial Life Benefits™ helps elevate workplace benefits offerings by giving something employees truly appreciate — a seamless integrated solution that helps support their broad financial needs — retirement, health savings, banking and investing. It also offers exclusive benefits and rewards, as well as tools, resources, insights, education and guidance, individually tailored to their life stage, goals and priorities. Financial Life Benefits™ helps employees take control of their financial lives and helps employers differentiate their benefits offerings.

Our employee benefits programs are designed to make financial wellness a way of life by helping employers educate, guide and support employees in and beyond the workplace. Whether they're managing their day-to-day budget, taking care of family or saving for retirement, employees can find it here — with one provider that can help them take control of their financial lives.



When employees live their best financial lives, it shows in the workplace

At Bank of America, we never forget that financial benefits are people benefits, with finances connected to all areas of life. Our holistic approach supports the financial needs of employees by helping them to:

- Understand the impact of financial decisions
- Better prepare for current and future life events
- Create a financial strategy
- Take action and stay engaged
- Reduce stress



Helping employers differentiate their benefits offerings

Financial Life Benefits™ is designed around the organizations and people we serve. No matter the size of the company or how priorities may change, we can help employers and employees meet their goals. Our benefits solutions are designed to fit evolving needs, from standalone plans to a full set of integrated services designed to:

- Help employees understand the value of the benefits they provide
- Increase employee engagement and drive positive actions — helping to improve overall plan health and financial wellness
- Attract and retain employees with a distinctive benefits program
- Streamline administration through simplified interface that saves time and resources

Bank of America can help employers differentiate their business and empower their employees to take control of their full financial lives. Learn more at benefitplans.baml.com.

About this study

First launched in 2011, the annual *Workplace Benefits Report* plays a critical role in **helping make financial lives better** by generating real-world insights to bring solutions that fit our clients' needs.

Methodology

Escalent surveyed a national sample of 996 employees who are working full time and participate in 401(k) plans, and 808 employers who offer both a 401(k) plan and have sole or shared responsibility for decisions made in the plan. The survey was conducted between February 27, 2020 and March 27, 2020. To qualify for the survey, employees had to be current participants of a 401(k) plan and employers had to offer a 401(k) plan option. Neither was required to work with Bank of America Merrill Lynch. Bank of America Merrill Lynch was not identified as the sponsor of the study.

Employee details

The sample population represented:



Various employee life stages were represented:

414	Gen Z & Millennials (18–44 years)
229	Gen X (45–54 years)
353	Baby Boomers & Silent Generation (55+ years)

Employer details

The sample population represented:

401	Small companies (<\$20M in 401(k) plan assets)
208	Mid-sized companies (\$20M to <\$100M in 401(k) plan assets)
199	Large companies (≥\$100M in 401(k) plan assets)

Bank of America Retirement & Benefit Plan Services empower employers and employees to take action and work toward their financial goals today and into retirement.

For more information about how we can help your company make the financial lives of your employees better, contact your Bank of America representative or call **877.902.8730**.

You can also visit us online at baml.com/benefitsreport.

This material should be regarded as general information on healthcare considerations and is not intended to provide specific healthcare advice or imply that Merrill financial advisors can now or in the future will provide specific healthcare advice. Questions regarding healthcare situations should be directed to healthcare, legal or tax professionals.

This report is designed to provide general information for employers to assist with planning strategies for their retirement plan and is for discussion purposes only. Bank of America is prohibited by law from giving legal or tax advice, and recommends consulting with an independent actuary, attorney and/or tax advisor before making any changes.

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