

**Workplace
Solutions**



ACHS Fall Meeting – Financial Wellness Session: *Why Financial Wellness Matters to Actuaries*

For Plan Sponsor and Advisor Use Only



Discussion guide

- **Adopt an outside-in perspective – what are some financial headwinds typical consumers face?**
- **Unpack financial wellness – what is it, why does it matter?**
- **Take a deeper dive into student loan – how is Prudential tackling debt?**
- **Pivot to outcomes – what do they mean, why do they matter?**
- **Review early findings – what kinds of behavioral and financial changes are we seeing among student loan assistance users?**

Consumer context



Meet the Jayne family



Meet the Jayne family:

- Kim, 42 – competitive runner and PT teacher
- Tom, 45 – avid cyclist and technical writer
- Will, 3 – curious bug collector and aspiring race car driver
- James, 7 – fierce gamer and aspiring designer

About us:

- Live in Pittsburgh, PA
- Are homeowners
- Have aging parents who are starting to experience health issues

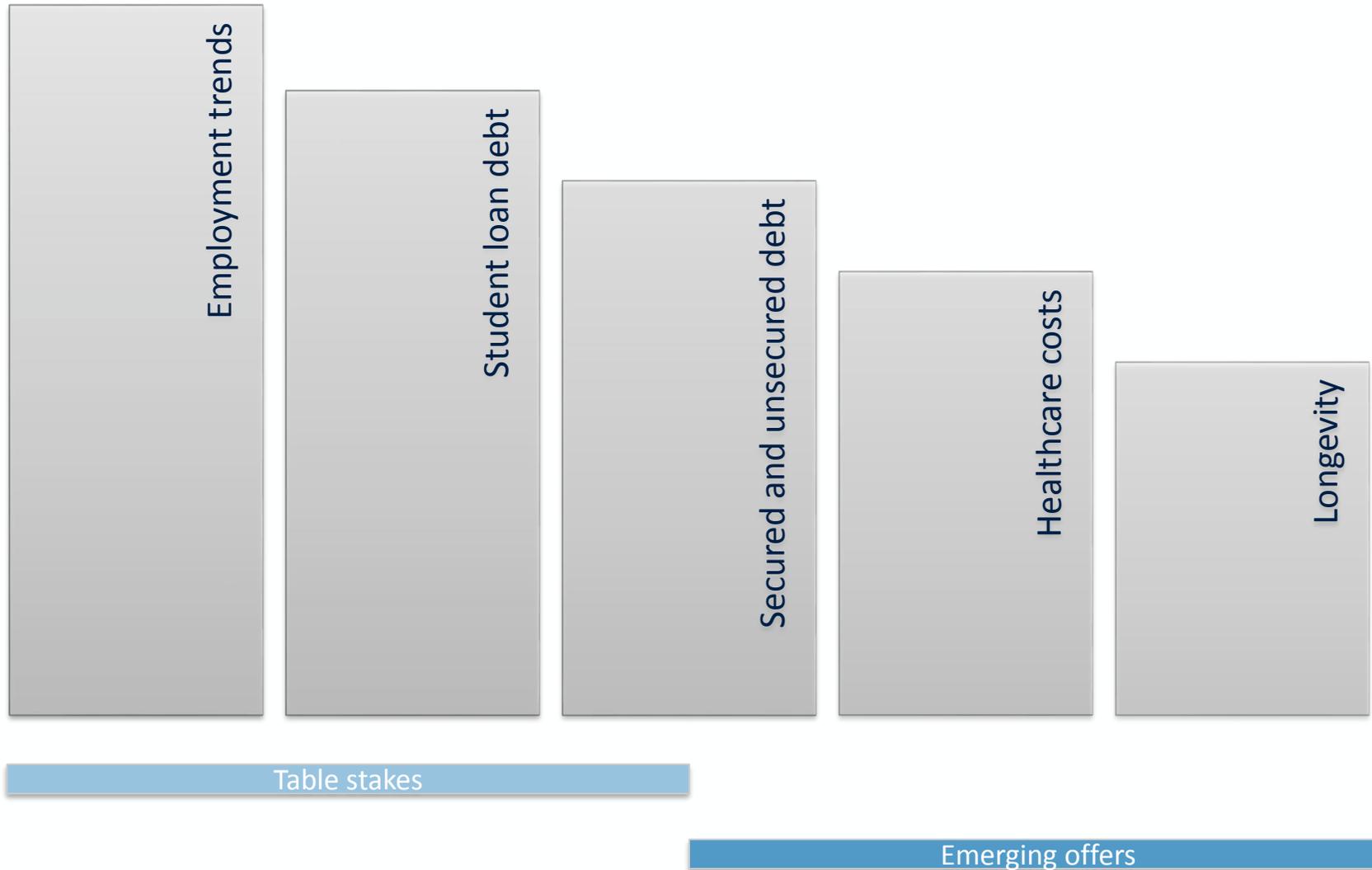
Our finances:

- Make \$59k
- Have \$60k in liquid IA
- Accumulated \$75k in their combined 401k /403b plans
- Have \$20k in student loans
- Carry \$7k in credit card debt between us

Thinking, doing and feeling:

- Wondering if the roof will make it through the end of the year...
- Concerned about the quality of public schools in our district – can we really afford a move?
- Need to ramp up college savings for James and start saving for Will

What's driving the urgency around financial wellness now?



How – and where – are most financial wellness offers focusing?

What percent of Americans are unable to come up with \$500 in case of an emergency?

- A. 11%
- B. 28%
- C. 63%
- D. 88%

True or False:

2 out of 3 Americans can't pass a basic financial literacy test

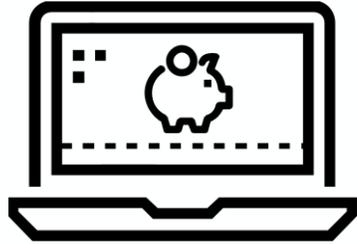
True or false:

Wealth inequality is materially driven by differences in financial knowledge



Financial wellness overview

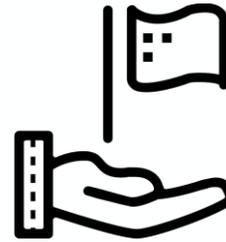
What is financial wellness?



Managing their day-to-day finances

25%

spend more than they make each month.¹



Achieving important financial goals

62%

Student loan debt impacted saving for retirement.²



Protecting themselves against key financial risks

63%

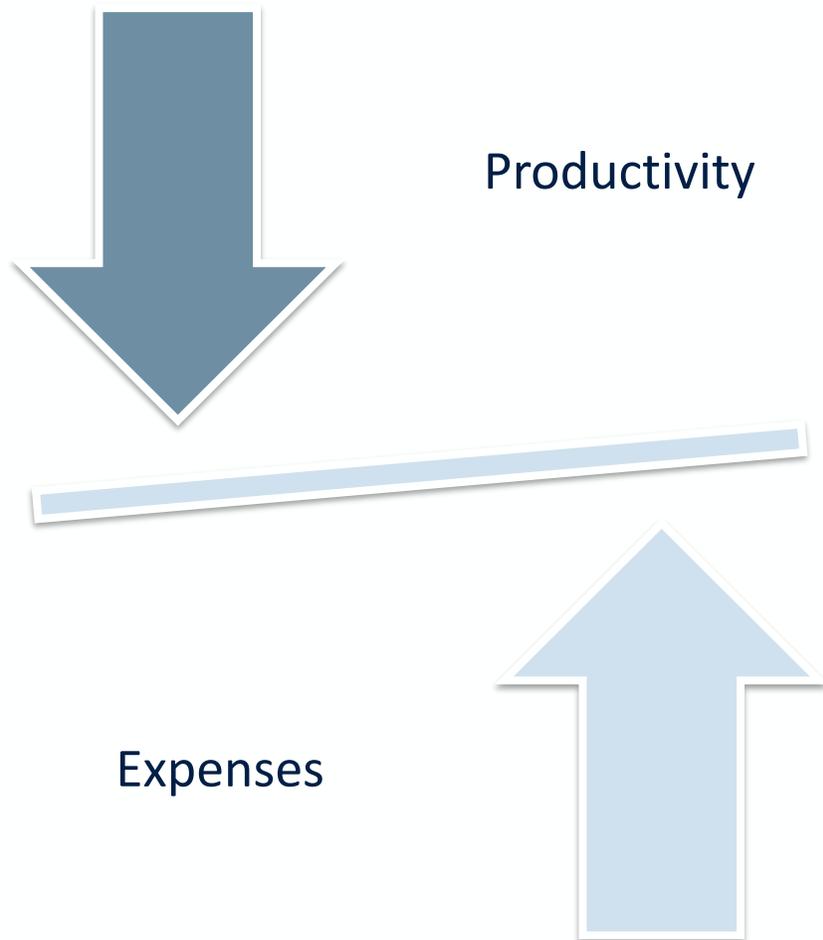
don't have enough savings to meet a \$500 financial emergency.³

¹ Schwab, 2018

² Retirement Delayed: The Impact of Student Debt on the Daily Lives of Older Americans, American Student Assistance, 2017.

³ Forbes.com, "63% Of Americans Don't Have Enough Savings To Cover A \$500 Emergency," Jan. 6, 2016.

Why does it matter to employers?



28%

Distracted by financial issues at work.¹

70%

HR execs say financial issues impact performance.²

44%

Workers delaying retirement.³

8,500

Incremental \$ cost per person per

Many retire earlier due to health events (self or loved one), a **triple whammy** driving claims costs, health care expense and depleted retirement savings

^{1,3} PwC, Employee Financial Wellness Survey, March 2016

^{2,4} Plan Adviser, "Breaking Down Savings Barriers," 2015

Student loan assistance

A stylized, low-poly graphic in shades of gray. It features a large circular arc on the left side, and a jagged, mountain-like shape on the right side. The overall style is modern and minimalist.

Why student loan assistance

**MORE THAN A
MILLENNIAL
ISSUE...**

\$260B

the amount of
student loan debt
currently owed by
Americans over the
age of 50.¹

**LIVES ARE
ON HOLD...**

62%

are putting off
saving for
retirement due to
student loan debt.²

**DEBT IS THE TOP
FINANCIAL
PRIORITY...**

#1

Current biggest
financial priority is
paying down debt.³

¹ Federal Reserve, 2018

² Retirement Delayed: The Impact of Student Debt on the Daily Lives of Older Americans, American Student Assistance, 2017.

³ 2018 U.S. MONITOR, Kantar Futures

Student loan assistance

VAULT ADVISOR

WEB TOOL

Choose your goal – lower payment, pay off faster,
refinance

Compare & choose the most appropriate of
70+ repayment scenarios

IMPACT CALCULATOR

Measure impact of a repayment choice

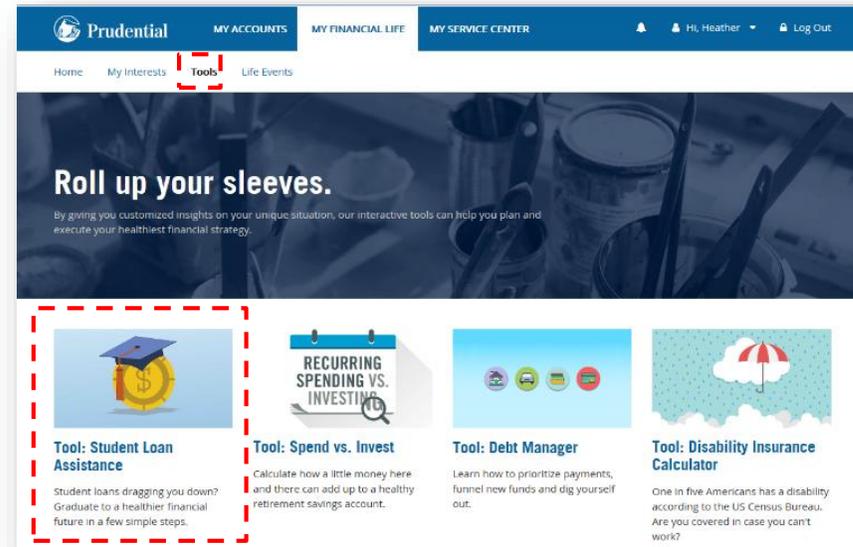
1:1 SUPPORT

.....Virtual 1:1 repayment counseling.....

VAULT PAY

Employer contribution – optional add-on

Help reduce debt, unlock savings – attract and retain talent



Accessible to participants – and their dependents – via **My Financial Life**

Student Loan Assistance in action

PRUDENTIAL PILOT
RESULTS SHOW
MEANINGFUL
MONTHLY SAVINGS

\$251



Reduce Debt

Average payment reduction
with student loan assistance

89%



Fuel Recruiting

Job seekers believe
employers should
help
with student loans

67%



Boost Wellness

Employees improve their
financial picture with
student loan assistance

6.25%



Create Balance

Average debt-to-income
ratio reduction with
student loan assistance

Outcomes



Outcomes overview

What are outcomes?

Outcomes are material changes in financial wellness behaviors that result from adopting a financial wellness product, service or solution and/or a plan design or health and productivity change. Examples include:

Employer

Reduce absence and improve productivity

Manage costs

Optimize plan benefit use

Reduce administrative burden

Recruit and retain

Employer and Employee

Increase participation

Contain healthcare costs

Protect against risks

Invest for who and what matters

Navigate life events

Employee

Manage day-to-day finances

Pay down debt

Increase savings

Why do they matter?

Financial stress – and underlying stressors like debt, lack of emergency funds and retirement savings – drive costs; achieving outcomes helps reduce stress, improve financial behaviors and increase productivity.

How will we measure success?

Proof points are measurable performance indicators that ladder to adopting a product, service or solution; they're what enable us to declare we've successfully delivered on an outcome and met the underlying need.

Improved engagement (e.g., usage, open rates, click throughs, repeat visits, etc.)

Increased participation rates (e.g., retirement plan, investment products, voluntary benefits)

Increased balances (e.g., savings, investments)

Use case – outcomes help us meet needs, drive material results

Need



Outcomes



“Solutions”



Proof points

Attract, recruit and retain

Manage D2D \$

Reduce debt

Increase savings

Budgeting tools

Emergency savings

LINK

SLA

Debt/credit counseling

DI

RIC

Auto features

Pathways

Usage
Participation
Credit score

ES balance
Loans
Leakage

Engagement
Aggregation
Balances

Usage
ES balance
Participation

Usage
ES balance
Credit score

Adoption
Loans
Productivity

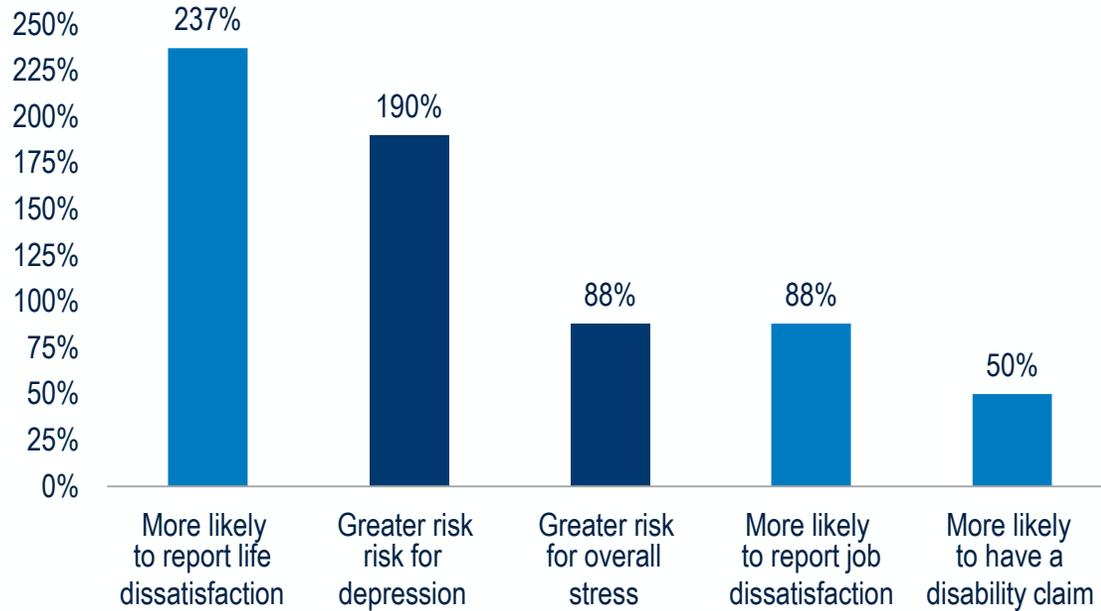
Usage
Participation
Balance

Participation
Balance
On-time ret.

Engagement
CSAT/NPS
Participation

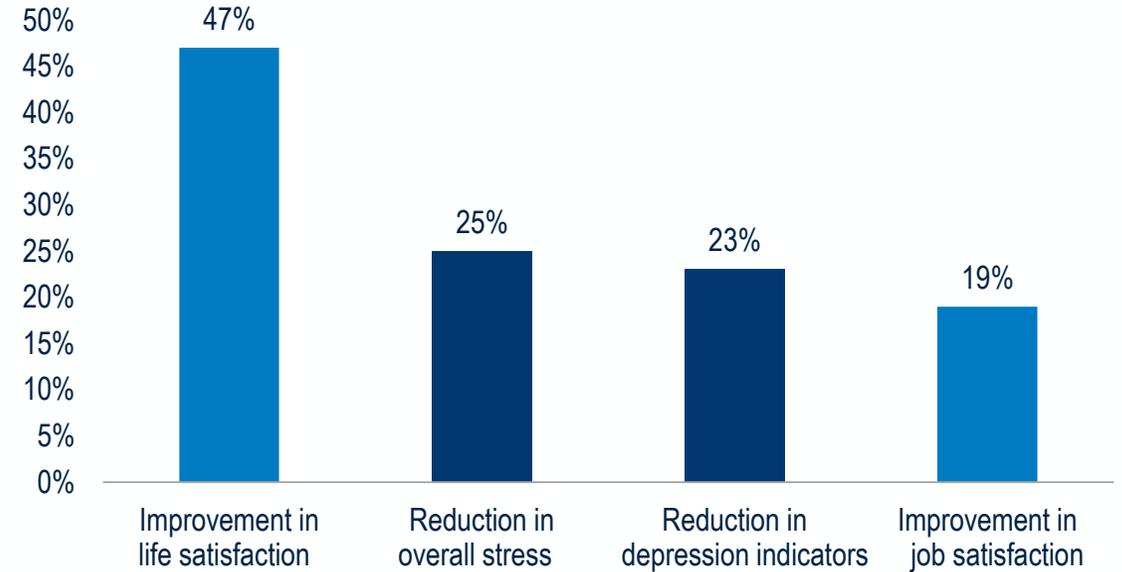
Why focus on outcomes? Financial stress drives costs; achieving outcomes reduces them...

Health risk impacts of financial stress:



\$450
More in annual
OOP health costs

Those who reduced financial stress show:



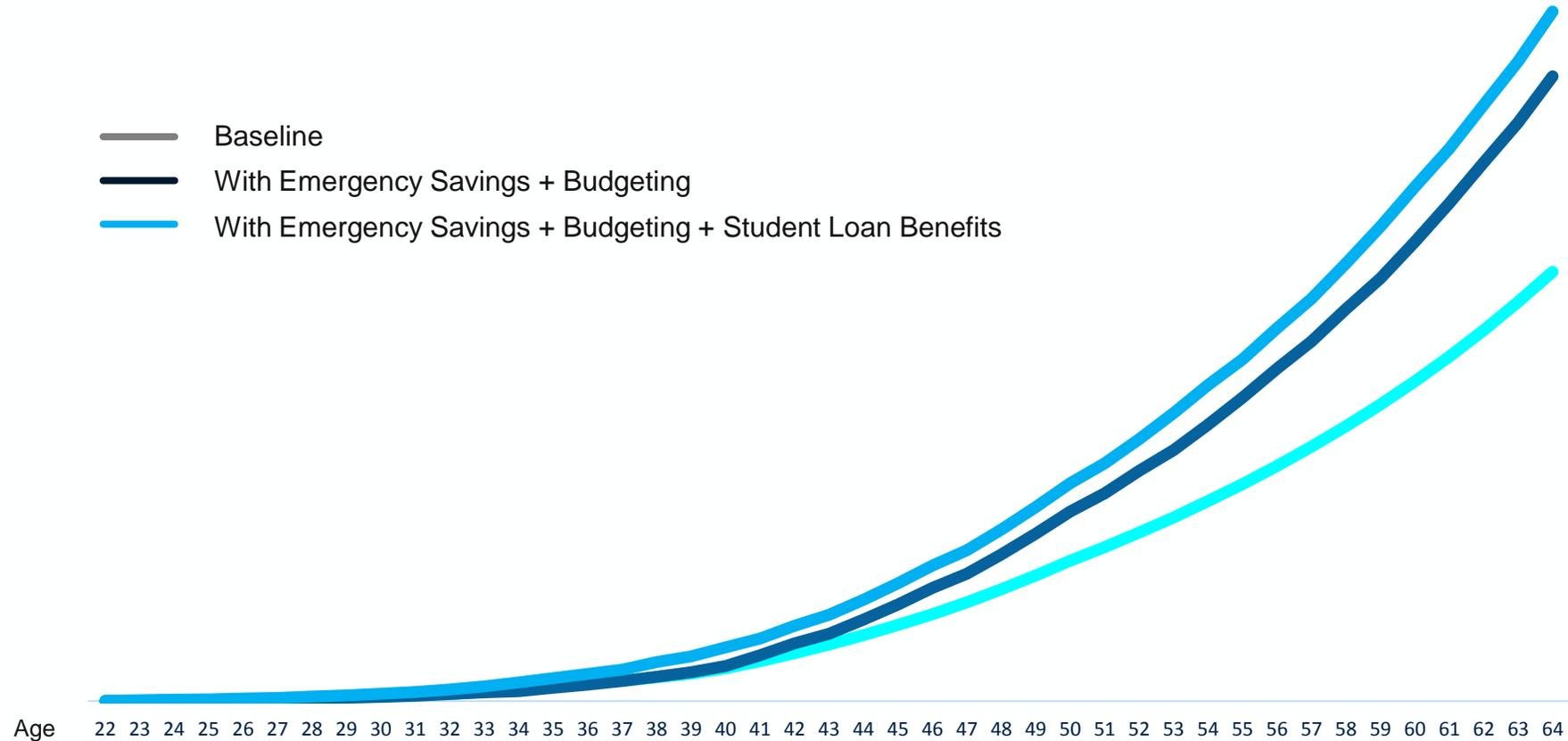
1 WEEK
Less work missed,
on average

Early days, but...



Emergency savings and student loan benefit programs can have a significant positive impact on retirement savings

Hypothetical DC Plan Accumulation



Source: Prudential analysis. Assumes an employee of 22 years of age with a starting salary of \$51,300, and student loan debt of \$37,000. 50% of leftover money is saved into his 401(k) DC plan in baseline scenario with an employer match of 50% on the first 6% of salary deferred.

In closing...

Thank you!



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