



RETIREMENT SERVICES

ADP Saving and Investing Report

Insights and
best practices
for helping
employees
build enduring
financial
wellness



Always Designing
for People®

Introduction

As the health and economic challenges of the COVID-19 pandemic continue, everyone is concerned about protecting their physical and financial well-being. ADP Retirement Services commissioned a survey to gain insight into individuals' personal financial behaviors. The research finds the majority are taking steps to improve their financial health by reducing expenses, increasing savings and planning for their future financial security. **Research findings include:**

- The majority are confident about their financial well-being, consider themselves knowledgeable about investing, and believe they are on track to meeting their retirement goals.
- Saving money is a priority, and saving for the future is preferred over spending on current needs.
- Overall, financial planning is a challenge for most—few have a written financial plan, a personalized retirement plan or work with a financial professional.
- Respondents are concerned about their daily living expenses, retirement and the cost of healthcare.
- Although many believe they're on track or ahead of their retirement goal, most report workplace retirement plan savings of less than \$100,000.

Methodology

Retirement Insights, LLC developed and conducted an online survey to gain insight and report individuals' personal financial behaviors. The survey included a national sample of 1,000 persons over the age 25 of varied income, gender, race, and geography. The study was completed in June 2021.

Objective

ADP Retirement Services commissioned a study to gain insight into individuals' personal financial behaviors including saving, investing and expense management.

Very optimistic about current finances

Nearly 70 percent of those surveyed are optimistic about their current financial situation, describing their status as under control (20.4%) improving (21.5%) or confident (26.6%). Saving money appears to be a priority—43.6 percent plan to save more over the next year and another 39.9 percent plan to continue saving at the same rate. Sixty-six percent also say they have \$5,000 saved for unexpected expenses.

44% plan to
save more

40% will save at
the same rate



1 in 3

don't have \$5,000 saved
for unexpected expenses



Optimistic financial outlook

Confidence in investing knowledge is also high, ranging from good (37.4%) to fair (24.9%) to excellent (21.2%). Just 17.7 percent have paid a professional for investing assistance. The majority go it alone—nearly half (45.3%) rely on themselves for investment information or help. However, professional investment guidance or advice improves investment returns (26%) and saves time (15%), according to those that pay for these services. About 1 in 4 have never considered working with a pro and 21 percent don't think they can afford it. Thirty-five percent hold an investment portfolio that is evenly balanced for risk and protection, and half are risk-adverse—25.7 percent rate themselves very uncomfortable with risk or more conservative than aggressive (24.5%). Survey participants engage with investment choices monthly (30.6%) to quarterly (29%).

26.6%

Confident

21.5%

Improving

20.4%

Under control



58%

Rate investing knowledge
good to excellent

Prioritizing saving for the future

Seventy-eight percent prefer saving for the future over spending on current needs. Daily living expenses, retirement and healthcare costs are top financial concerns, and housing (21.9%) and daily living expenses (21.7%) are named most often as hinderances to saving. 1 in 5 say they are obstacle-free.



35.8%

Living expenses



32.1%

Retirement



31.6%

Healthcare costs

Top financial concerns

A written financial plan with goals is important to 82 percent of those surveyed, but there's little follow-through—just 14.6 percent have one. Instead, most have general financial goals to achieve in the future (30.7%) or a mental financial plan with goals and timelines (30.5%). Outside economic influences and identifying important financial goals hinder more concrete planning.

Managing expenses and debt

Half of individuals surveyed say their upbringing was very to somewhat influential to their spending and saving habits. Fifty-six percent keep written track of their expenses and review them monthly (31.7%), and many plan to slash spending on entertainment (42%), non-necessities (37%) and travel (31%) to improve savings.

Mortgages, medical expenses and student loan debt make it hard to save money—48 percent have a mortgage, 28 percent rent, 30 percent have student loan debt, and 31 percent pay over \$1,000 annually in uncovered medical expenses. Most fund a dedicated savings account for large purchases like a home, car or household item (66.8%). Employer-sponsored emergency savings accounts are very appealing—68 percent would contribute to one if made available.

Many uncertainties in retirement planning

Seventy-five percent of individuals in this study participate in their employer's workplace retirement plan. Just 12 percent contribute to the plan maximum—most save 3 to 6 percent (30%) or 6 to 9 percent (25%). Over half have under \$100,000 saved in their plan, and 35 percent have less than \$25,000 in savings outside their workplace plan. Despite these facts, many believe they're on track (41%) or ahead of (23%) their retirement savings goal, and 1 in 3 think Social Security will provide up to half of their monthly income in retirement.

How they save for the future

Many say some big pieces of the retirement planning puzzle are unclear, such as knowing future expenses, Social Security amounts, and where to live. This makes it hard to calculate, and save for, the cost of retirement. Estimating future needs (31.8%) and monthly expenses (25.2%), concerns about outliving savings (19.9%) how to replace a salary with retirement income (12.9%) and uncertainty about retirement lifestyle (10.2%) are cited as challenges to retirement planning. A personalized retirement plan that estimates savings needed, retirement expenses and medical costs would help solve many of these uncertainties, but unfortunately almost half don't have one.



Most save **3 to 6%**



Only **12%** contribute the plan maximum



64% think they're on track or ahead of their retirement goal



39% have under **\$50,000** in savings



1 in 3 believe Social Security will cover up to half of their retirement income



About **half** aren't using HSAs, IRAs or brokerage accounts to supplement their 401(k)

Knowledge gaps in retirement planning

Nearly three-quarters of retirement plan savers plan to work at least part-time in retirement for disposable income (30.8%), necessities (25.7%) or the feeling of purpose (17.4%). Savers are also more likely to have an HSA, IRA and brokerage account.

Fifty-six percent of respondents have awareness of financial and retirement planning tools available through their employer, but just 14 percent use them monthly. More financial education from employers would be helpful for making decisions, and email (29.8%), websites (22.3%) and meetings (22%) are preferred for getting information about these programs. Investing education is of more interest to survey respondents under age 50—an age group that is significantly more likely to invest more conservatively for retirement than those over 50.



56.9%

Living expenses



39.5%

Social Security



35.9%

Where to live



29%

Medical insurance



More financial education is needed from employers



24.5%

To make decisions
on my own



19.4%

To develop a detailed
savings plan



18.2%

Personalized advice
to guide investing
decisions



Conclusion

Improving financial wellness is a clear priority for the survey respondents. They want more support in the form of financial education from their employer to help them with complicated financial calculations and decisions about retirement. **Here's how organizations can help workers build enduring financial wellness:**

- Personalize employee experiences to make retirement planning simple and engaging.
- Provide educational content and data-driven personalized coaching to help employees develop a retirement savings strategy, build confidence in their decisions and achieve their financial goals.
- Leverage media preferences to drive engagement with financial and retirement planning tools.



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About Retirement Insights, LLC

Since 1996, Retirement Insights, LLC has been assisting financial services companies to competitively position their products in the marketplace and achieve their goals. We offer powerful competitive intelligence tools, reporting and consulting services specialized in the retirement and financial industries. Our expertise lies in connecting our innovative research and information with insights that help our clients make better decisions and bring practical, actionable solutions into view.

Disclosure

The research for this white paper was commissioned by ADP Retirement Services and conducted by Retirement Insights, LLC to gain insight into the saving, investing and expense management behaviors of individuals. The data was collected by online survey and included a national sample of 1,000 individuals of varied age, income, gender, race, and geography. The research was completed in June 2021.

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