

Statement for the Record
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Roundtable Discussion on
"Financial Literacy: the Starting Point for a Secure Retirement"

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INTRODUCTION

Good afternoon, I am Vishal Jain. I am a vice president with Prudential Financial, Inc.'s Workplace Solutions Group.

On behalf of Prudential, I want to thank you, Chairman Enzi and Ranking Member Sanders, for your commitment to improving the financial security of working Americans and for the opportunity to participate in this roundtable discussion.

It should come as no surprise that, with the evolution of retirement and healthcare benefit offerings, today's workers are having to assume increased responsibility for their financial security. When coupled with day-to-day financial obligations, such as mortgages and student loan debt, it is easy to understand why employees may be experiencing higher levels of stress about their financial situation.¹ Employee financial stress can lead to physical health problems and increased healthcare costs, as well as increased absenteeism, decreased productivity, and low morale.²

Building upon employers' recognition of the value of employees' health wellness over the past decade, there is a growing realization on the part of employers that there is significant value in employees' financial wellness.

My goal today is to share Prudential's experience with financial wellness from the perspective of an employer and as a leading benefits provider, with an expertise in both retirement and group benefits. To this end, I'll briefly discuss how Prudential defines financial wellness, why we believe it is so important today, the critical role that the worksite can have in improving financial wellness, and how we are bringing financial wellness capabilities to a wide range of organizations.

FINANCIAL WELLNESS

We believe that financial wellness is about helping individuals adopt the behaviors that enable them to manage their day-to-day finances, achieve long-term financial goals, and protect themselves from key financial risks. This definition reflects the importance of the right behaviors and decisions in optimizing an individual's financial situation, as well as how interconnected financial wellness is across a wide range of issues from budgeting to investing for long-term goals, such as retirement.

Financial wellness challenges are growing, in part because individuals face more complexity and risk in managing their financial lives than they did twenty or thirty years ago.

For example, today more individuals own the responsibility for saving for retirement, investing their savings wisely, and ensuring that these savings last through a retirement that could span a few years to a few decades. While recognizing the successes of the current system, we applaud

¹Prudential found that 57% of U.S. workers are very or somewhat stressed about their financial situation. See Prudential's survey entitled "The State of Financial Wellness in American," 2017, at: https://www.prudential.com/media/managed/documents/rp/Financial_Wellness_Self-Assessment.pdf.

² See the International Foundation of Employee Benefit Plan's "Financial Education for Today's Workforce: 2016 Survey Results" at <http://www.ifebp.org/pdf/financial-education-2016-survey-results.pdf>.

and support legislative efforts, such as the Retirement Enhancement and Security Act (RESA),³ to mitigate these challenges for today's working Americans. In particular, legislation that further encourages and facilitates the use of auto-enrollment and auto-escalation provisions can enhance both retirement plan participation and savings rates. And, provisions that remove impediments to the inclusion of guaranteed lifetime income solutions as part of a retirement plan can better ensure employees have access to the products they need to effectively manage investment and longevity risks during their retirement years.⁴

In addition to retirement-related challenges, more families, even insured families, must carefully manage healthcare expenses due to higher deductibles which may require families to annually fund the first several thousand dollars of health expenses. Finally, continued growth in the cost of higher education means that many families must juggle a complex mix of financial aid, student loans, and personal loans to fund a college education for themselves or their children.,

We believe the worksite can have a significant role in helping individuals improve financial wellness for two key reasons. First, many individuals' financial lives are centered at the worksite through the retirement, healthcare, and protection benefits that they access at work. Second, the worksite provides an opportunity to engage employees through a wide range of channels and around important life milestones, such as marriage or the birth of a child.⁵

Prudential started measuring the financial stress of its employees about ten years ago. With the goal to reduce the determined financial stress levels of our employees, Prudential developed a comprehensive financial wellness program that included enhancing child care and adult care benefits, introducing retirement plan design changes such as auto-escalation and an automatic true-up feature for our Company match, providing access to budgeting coaching, and implementing comprehensive free on-site financial education programs, called Prudential Pathways. This program has been extremely popular, with over 5,000 employees participating in at least one session by the end of 2017.

Prudential's financial wellness program has significantly improved reported levels of stress among employees. The percentage of Prudential's employees reporting financial stress has been cut in half—from a high of 34% in 2009 to 17% in 2018. This improvement also impacts healthcare costs, disability costs and productivity, based on the historical correlations that we have measured between financial stress and these factors.⁶

Beyond Prudential, we are seeing an increasing number of employers begin to focus on financial wellness, both to help employees and to address key employer outcomes such as productivity and workforce engagement. In a recent survey of financial executives, 82% agreed that their

³ See S. 2526, H.R. 5282.

⁴ See Sections 111 (Portability of lifetime income option) and 204 (Fiduciary safe harbor for selection of lifetime income provider) in S. 2526 and H.R. 5282.

⁵ For background on financial wellness generally, see Prudential's "The Power of the Wellness Effect – Seeing the Real Value of Employee Financial Health" at http://research.prudential.com/documents/rp/SI25_Financial_Wellness_Whitepaper_Final_ADA_1-11-17.pdf. (copy attached)

⁶ An overview of Prudential's journey along the financial wellness path is set forth in "Pioneering Workplace Financial Wellness" at: [http://research.prudential.com/documents/rp/SI25_Financial_Wellness_Whitepaper_Final_ADA_1-11-17 .pdf](http://research.prudential.com/documents/rp/SI25_Financial_Wellness_Whitepaper_Final_ADA_1-11-17.pdf). https://www.prudential.com/media/managing/documents/rp/Pioneering_Workplace_Financial_Wellness.pdf. (copy attached).

companies would benefit from having a workforce that is financially secure, and 78% felt that employers should assist in achieving financial wellness during working years.⁷

In response to this growing interest, Prudential is now offering organizations a comprehensive set of capabilities to implement financial wellness programs including:

- Diagnostics to prioritize financial wellness needs.
- Solutions to address specific financial wellness needs. These solutions include a wide range of traditional BRISA-based employee benefit products, as well as new solutions such as student loan assistance capabilities and budgeting tools. In addition, we have developed capabilities that leverage existing benefits to address unmet financial wellness needs, such as incorporating an emergency savings feature into retirement plans.⁸
- Multi-channel capabilities to engage individuals about their financial needs, provide education and guidance, and motivate action.

To date, close to 400 organizations have adopted our on-site financial education programs and nearly 200 organizations are using our digital financial wellness platform, evidence of employers' strong interest in implementing financial wellness programs. Although we are in the early stages of assessing the impact of these programs, we are seeing encouraging results in terms of both engagement and the actions individuals take to improve their financial wellness after engaging with digital and/or on-site financial wellness services.

In fact, internal Prudential data suggests that more than 30% of individuals who access financial wellness resources during benefits enrollment take action to close gaps in their coverage, and more than 90% of individuals who have engaged in on-site financial education programs say they plan to take at least one step to improve their financial wellness.

COVERAGE

Finally, we would be remiss if we did not acknowledge that, while workplace-based retirement plans – a critical component to overall financial wellness - are helping tens of millions of working Americans, tens of millions more of today's workers do not have access to retirement savings plans in the workplace. This gap in retirement plan coverage is particularly problematic for workers employed by small employers and "gig economy" workers. Small businesses often do not sponsor a plan due to concerns about costs, administrative complexities, and fiduciary liability. And, the nature of gig work typically doesn't afford access to a quality retirement plan. Multiple employer plans (MEPs), in our view, offer a promising means of narrowing the retirement coverage gap for both small business and gig workers. For this reason, Prudential has

⁷ See CFO Research/Prudential Financial, Inc. "Value of Employees Financial Wellness" 2016 at: <http://www.prudential.com/media/managed/documents/rp/CFO-Employee-Financial-Wellness-012516.pdf>.

⁸ Recognizing the role of emergency savings as part of a holistic approach to financial wellness, Prudential recently release a white paper entitled "Increasing Financial Security with Workplace Emergency Savings, available at: https://www.prudential.com/media/managed/documents/rp/Building_Employer-Aided_Emergency_Savings.pdf?utm_medium=distribution&utm_source=newsroom&utm_content=ii:c&utm_campaign=emergency_savings_pdf. (copy attached)

been a strong supporter of RESA, as well as similar legislation, that would promote both sponsorship of and participation in MEPS.⁹

CLOSING

In closing, I, again, want to thank Chairman Enzi and Ranking Member Sanders for the opportunity to participate in this roundtable. We hope you will view Prudential as a valuable resource as you continue to consider these issues so critical to working Americans. I look forward to today's discussion.

⁹ See Prudential's "Multiple Employer Plans – Expanding Retirement Savings Opportunities" at: http://research.prudential.com/documents/rp/mep_paper_final_2015.pdf.