Pursuing financial well-being: Strategies for an evolving workforce

A famous Greek philosopher once said, 'The only thing that is constant is change.' This especially rings true with human resources leaders across the country. Technological advancements are improving the way we do things, but it's difficult keeping up with the pace of innovation. Your workforce is also evolving, and you now have four or maybe even five generations working side-by-side.

Managing this change can be difficult. There's growing competition from your peers and the private sector to attract and retain a diverse workforce. An aging workforce is affecting how you think about comprehensive benefits. It also affects advancement opportunities for employees.

But with change, there are also opportunities. By taking a fresh look at your organization's comprehensive benefits offering—starting with the retirement plan—you may uncover ways to strengthen your workforce by improving your ability to recruit, retain and retire employees. You can begin by focusing on three key areas.

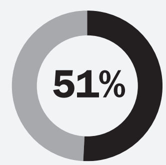
Engaging millennials in the workforce

Alleviating employee financial stress

Improving employee retirement readiness

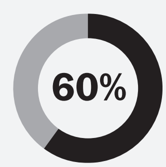
Obstacles to a sustainable workforce

Engagement



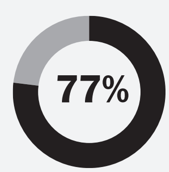
of the U.S. workforce isn't engaged and 16 percent is actively disengaged.[1]

Millennial retention



of millennials say they are open to a different job opportunity.[2]

Retirement readiness



of individuals say they are concerned about healthcare costs when it comes to retirement.[3]

Strengthening your workforce

Your organization's retirement plan shows commitment to employees and lets them know you have their long-term well-being in mind. Reevaluating how you position and deliver your retirement benefits can help address the three key workforce challenges we've discussed. The key is making the most of what your retirement plan has to offer and using your plan's engagement and education strategies to address workforce challenges.

Engaging millennials in the workforce

Millennials want to work for institutions that share similar values, offer advancement and educational opportunities, and have benefits that acknowledge their unique needs. For many, paying off student debt is a top priority that takes precedence over other financial goals. Millennials also prefer more predictable and secure retirement income streams—much like their grandparents' pensions. More than two-thirds of millennials, if given a choice between a lump-sum at retirement and a monthly income payment for life, would choose lifetime income.[4]

Reflecting these values through your benefits and employee engagement can be a significant differentiator. With more than three quarters of millennials (78 percent) ranking employer retirement offerings as a top 5 benefit, your retirement plan offers a great starting point to better meet millennial needs.[5]

Aligning values

Millennials have a sense of purpose and you can help them achieve this by offering socially responsible investments in your retirement plan menu.

Offering financial education

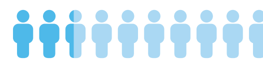
Millennials could benefit from improved financial literacy levels. Almost a third (31 percent) demonstrate low levels of financial literacy and only 8 percent demonstrate a high level.[6] Almost half of millennials agreed that they would like to receive more financial education at work.[7] Expanding your retirement plan's financial education program to cover topics most relevant to millennials shows that you care about and are in touch with their current situation.

Engaging through technology

How you communicate matters. Millennials are accustomed to communicating in real-time. For example, they are more comfortable with instant messaging than email. They are also generally more comfortable learning via online tools and interactive content than older workers. Introducing gaming and other innovative and interactive technology can help educate your employees, engage them on important topics and increase their productivity.

Why? Millennial turnover is costly

Millennials will switch jobs to achieve goals



21% switched jobs in 2016

3X turnover

than other generations[8]

Turnover results in a loss of talent and is costly

33% of salary

= estimated cost of turnover[9]

$400K

savings if turnover reduced by 20 employees making $60,000 annually

Alleviating employee financial stress

Financial stress can have an adverse impact on employees and their productivity. Ultimately, this can affect your bottom line due to the costs associated with absenteeism, sickness and work time spent on personal financial matters. Many employers may not be aware of the associated costs, and are unsure about how to reduce financial stress.

For employees that are financially stressed, you can build on the financial education programs used to help prepare your employees for retirement.

Understanding employee financial challenges

You can start by recognizing the types of financial challenges employees are experiencing based on their lifestage or other segmentations. You can then work with your retirement and other providers to determine what customized financial education would most benefit your employees.

Providing resources to manage personal finances

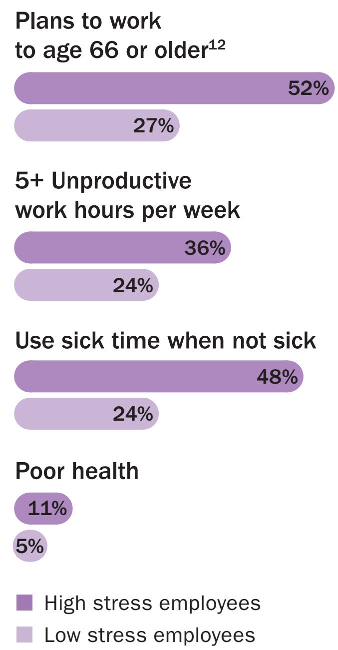
Education programs, online tools, one-on-one financial advice and other resources can help employees address their sources of financial anxiety. Working with your providers, identify what's important to them and provide solutions—for example, a new family might want help saving for retirement while also starting a college savings fund. Or, employees might want to add or expand upon their life insurance coverage. Having a financial plan and financial literacy are important to building your employees' confidence and alleviating financial anxiety.

Getting help can make a difference, and a majority of Americans (61 percent) who have met with an advisor say they feel confident about their finances.[10]

Why? Financial stress affects the bottom line

54 percent of employees are stressed about their financial situation[11]

Financial stress can lead to greater costs due to productivity losses and typically greater benefit expenses for employees working past traditional retirement age.



Improving employee retirement readiness

With 64 percent of not-for-profit plan sponsors worrying about participants not having enough money to retire and delaying retirement, we know that retirement readiness is a real concern.[13] The frustrating part is that you're likely already following many retirement best practices. However, it's possible you may be able to do more by considering adopting innovative plan design features and making financial education and advice a centerpiece of your offering.

Plan design with a purpose

Employees already have many day-to-day financial challenges and planning for retirement sometimes takes a back seat. That's why it's important to take advantage of automatic features and innovative employer match formulas to put employees on the right track. These plan design features can help increase participation and savings rates while different employer match formulas may help increase savings rates. The best part about it is that implementing these strategies is fairly easy and involves little or no additional costs.

Education and advice

Most Americans (71 percent) are interested in getting professional advice, but unfortunately more than half of Americans (51 percent) have not sought advice because they don't think they have enough money to invest.[14] Consider offering or expanding your education and advice services and letting your employees know that they can all benefit from advice regardless of how much they've saved.

Rethinking income solutions

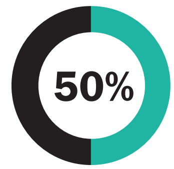
As for employees outliving their savings, default investment options paired with guaranteed income can provide employees with a diversified portfolio for growth and a guaranteed component to cover essential expenses in retirement.

Addressing retiree healthcare costs

Then there's the elephant in the room—out-of-pocket retiree healthcare costs. Retirees run the risk of depleting their retirement savings due to large healthcare costs. Educating employees about saving for healthcare expenses is a good starting point, but more can be done. Defined contribution retiree health savings plans could be a low-cost solution that can also provide a triple-tax advantage for employees.

Why? Delayed retirement impacts your bottom line and employee career opportunities

Some employees may never retire



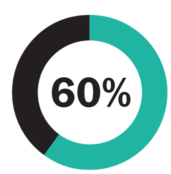
of workers age 60 and older now say they plan to keep working until at least age 70. Out of that group, 20 percent say they don't think they will ever retire.[15]

Working longer raises costs

$10K–$50K

estimated additional costs employers face for every year an employee who would like to retire delays retirement for financial reasons.[16]

Reduced opportunities could increase turnover



of employers are concerned about the effects of delayed retirements on the career paths of younger workers.[17]

Learn more

Contact TIAA to learn more about the tools and resources available to help optimize your retirement plan for the 21st century.

By phone: **844-NEW-TIAA**
(844-639-8422)

By email: **Newsolutions@TIAA.org**

Moving forward

Implementing best practices and innovative solutions helps to better engage and prepare your employees for retirement. It also demonstrates your commitment to employees. This process doesn't have to be overwhelming.

Your benefits and retirement plan providers can help you evaluate your plan services and identify opportunities for improvement. A true partner understands the unique challenges facing your organization and is familiar with your mission and people. Together, you can help your organization keep up with that one constant—change—and get ahead of today's challenges.

[1] Gallup, Inc., State of the American Workplace, 2017.
[2] Gallup, Inc., How Millennials Want to Work and Live, 2016.
[3] 2017 TIAA Lifetime Income Survey.
[4] 2017 TIAA Lifetime Income Survey.
[5] LIMRA—Secure Retirement Institute, Employee Benefits face off: Worker positioning of retirement plans in a benefits wallet, 2016.
[6] TIAA Institute-GFLEC Personal Finance Index (2017).
[7] PLANSPONSOR magazine's 2016 Participant Survey, April 2016.
[8] Gallup, How Millennials Want to Work and Live, May 2016.
[9] Work Institute, 2017 Retention Report: Trends, Reasons & Recommendations, 2017.
[10] TIAA 2016 Advice Matters Survey.
[11] PwC US, Employee Financial Wellness Survey: 2017 results, April 2017.
[12] Lockton Retirement Services, Finding the Links Between Retirement, Stress, and Health, 2016.
[13] 2017 Not-for-Profit Plan Sponsor Insights Survey by TIAA.
[14] TIAA 2016 Advice Matters Survey.
[15] CareerBuilder Press Release, Half of Mature U.S. Workers Will Wait Until At Least Age 70 to Retire or Won't Retire at All, March 31, 2017.
[16] Society of Actuaries: Risk & Rewards, Gregory Ward, Calculating ROI: Measuring the Benefits of Workplace Financial Wellness, August 2017.
[17] LIMRA—Secure Retirement Institute, Age-Related: Potential, Possibilities, and Problems as Workers Delay Retirement, page 6, Research Briefing, July 2015.