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Plenary Session 2

# Financial Wellness and its Importance in an Aging Society

Presented at the **Fifteenth International Longevity Risk and Capital Markets Solutions Conference**

**National Association of Home Builders  
Washington, D.C.  
September 12, 2019**





Financial Wellness and its Importance in an Aging Society

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# Preparing for Longevity: Defining the Financial Wellness Challenge

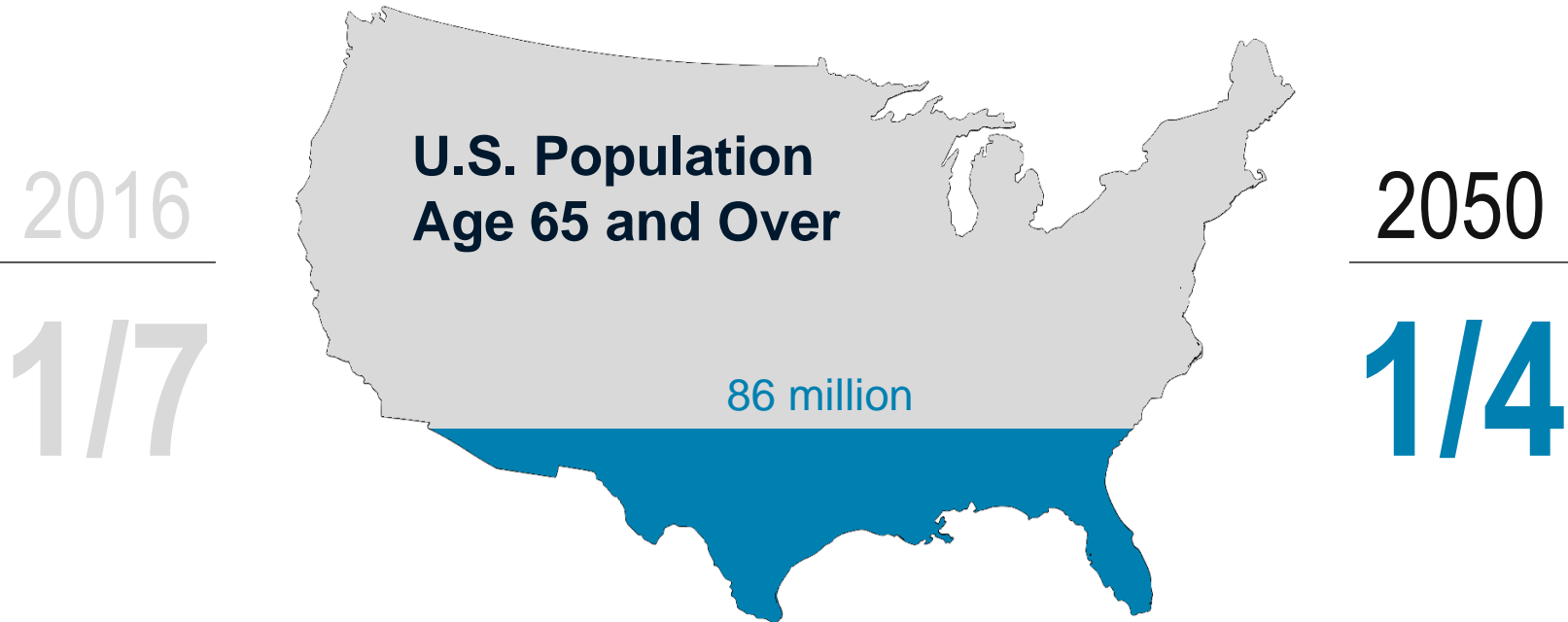
**Yanela Frias**

Head of Investment and Pension Solutions

Prudential Retirement®



# The Pace of Aging Across the United States is Breathtaking



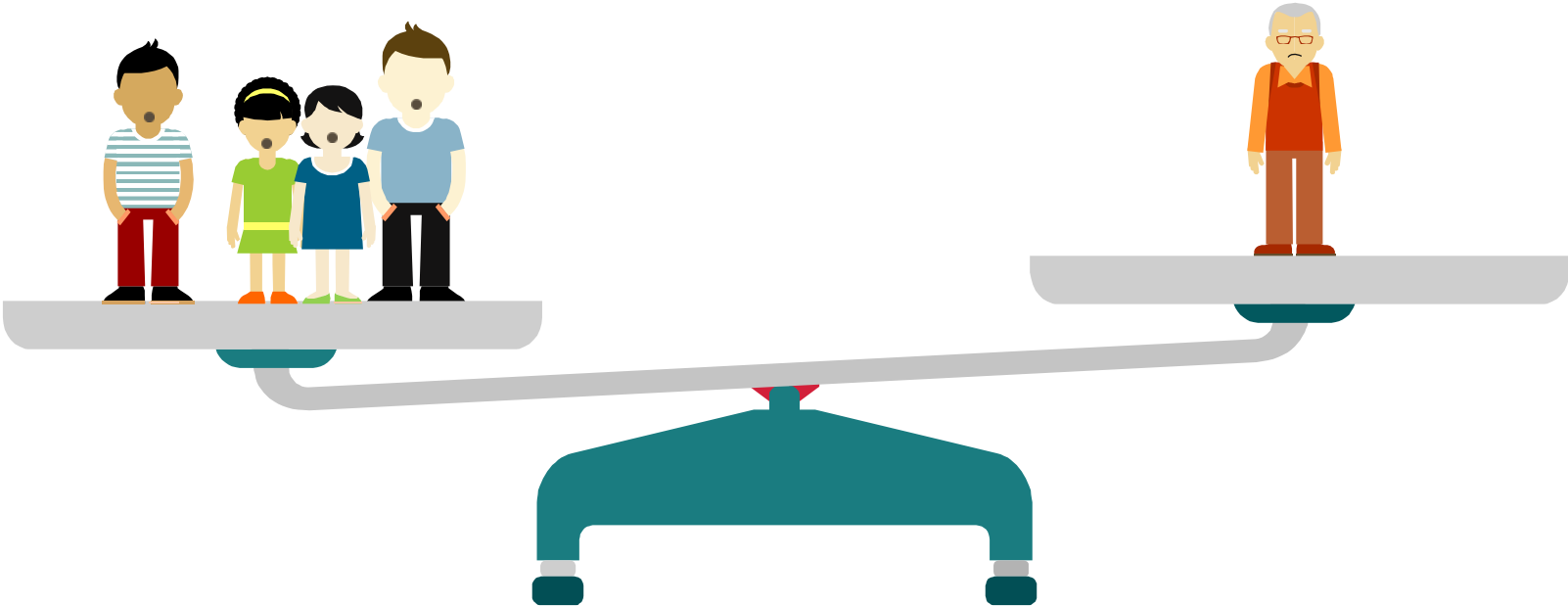
Source: U.S. Census Bureau, Population Division: Washington, DC. URL: <https://www.census.gov/data/tables/2017/demo/popproj/2017-summary-tables.html>  
Projected Age Groups and Sex Composition of the Population: Main Projections Series for the United States, 2017-2060.

# We Have Never Faced a World Where So Few Would Support So Many

1950  
12

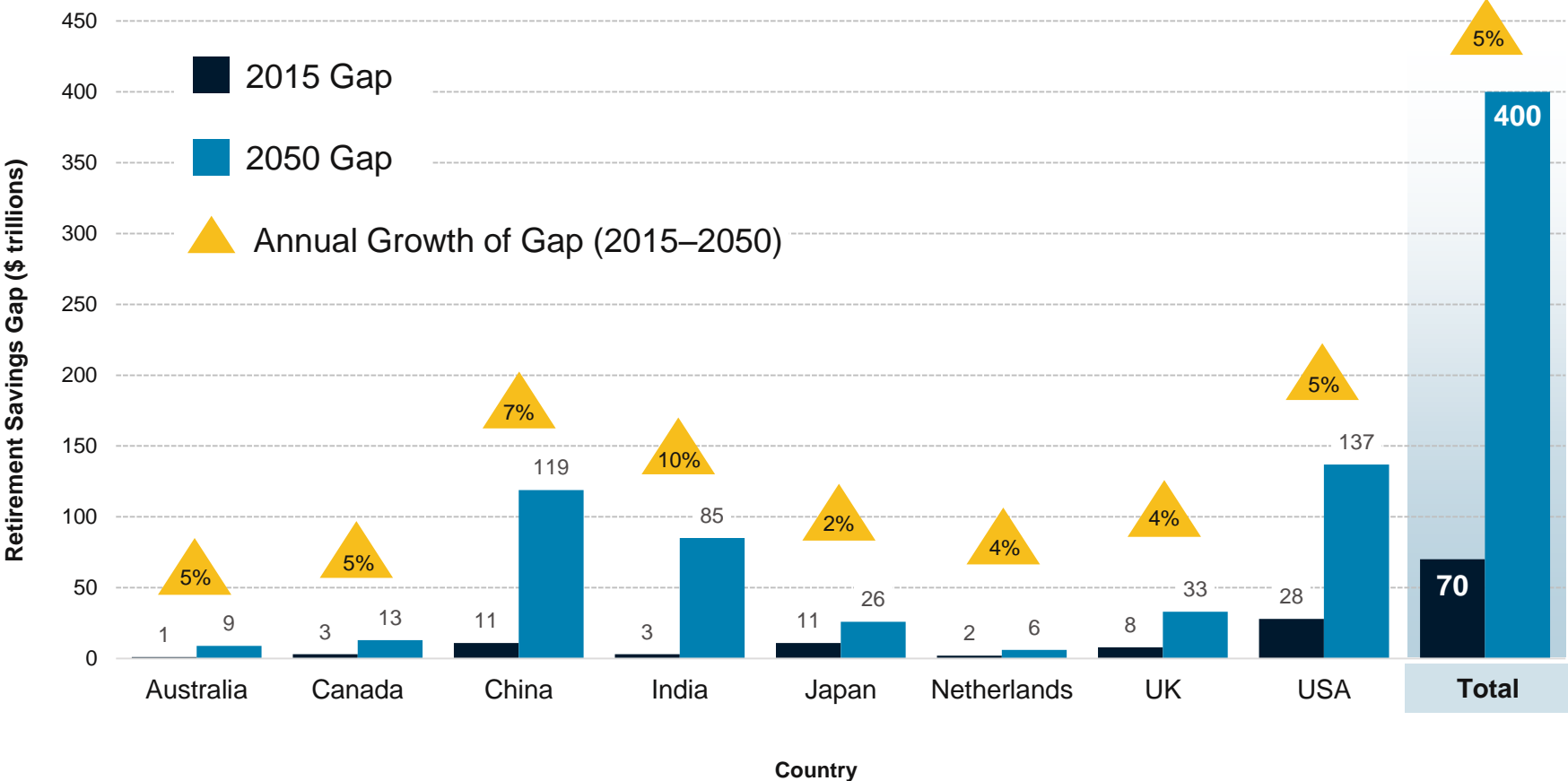
2015  
7.9

2050  
4



# The World Economic Forum Estimates a \$70 Trillion Global Retirement Savings Gap Today, That is Projected to Grow to \$400 Trillion By 2050

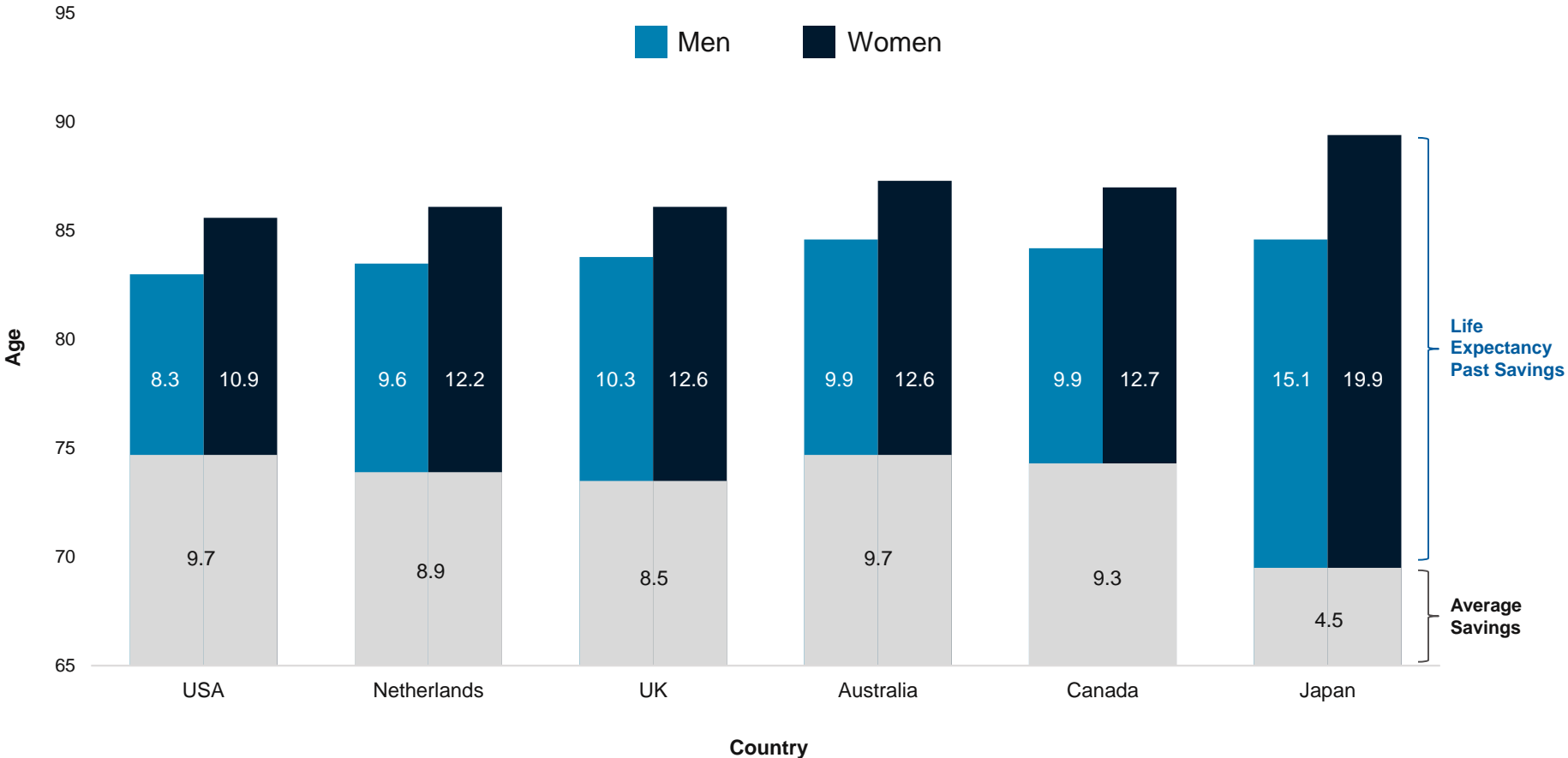
Size of Retirement Savings Gap (\$ trillions, 2015)



World Economic Forum, "Investing in (and for) Our Future." June 13, 2019. Source: Mercer Analysis.

# On Average, Americans Are Prepared For Nearly 10 Years in Retirement, But This Leaves a Gap of 8 Years For Men and 11 Years For Women

## Retirement Savings Deficit – Years Saved vs Life Expectancy



Source: World Economic Forum Analysis, "Investing in (and for) Our Future." June 13, 2019.

# The Obstacles Standing in the Way of Individuals Achieving Retirement Readiness Are Grounded in a Lack of Financial Wellness

## The Reality

**25%** spend their full paycheck or more every month<sup>1</sup>

**60%** don't have enough savings to cover a \$1,000 emergency<sup>2</sup>

**28%** of non-retired adults have no retirement savings or pension<sup>3</sup>

**62%** say that student loans impact their ability to save for retirement<sup>4</sup>

**33%** of millennials dipped into 401(k) to finance home purchase<sup>5</sup>

**36%** of HSAs have no contributions; **13%** contribute the maximum<sup>6</sup>

## Some Solutions



Income planning and budgeting



Emergency Savings account



Auto-enrollment and auto-escalation in a 401(k)



Student loan benefit



Long-term savings for buying a home or saving for college



Maximize HSA accounts as long-term savings for healthcare

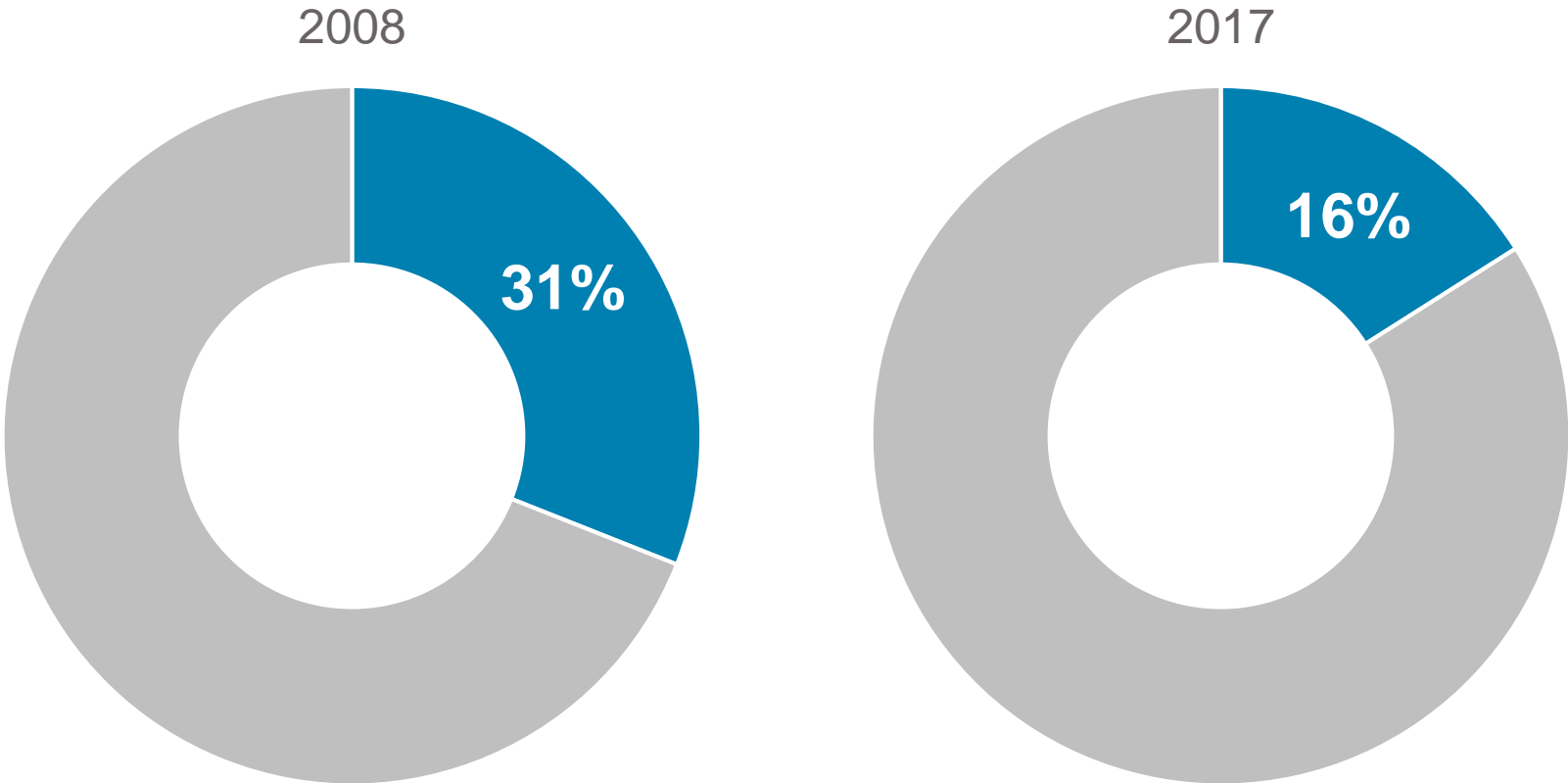
<sup>1</sup> Prudential, "The State of Financial Wellness in America," 2017. <sup>2</sup> Bankrate's Financial Security Index, Jan. 2-6, 2019. <https://www.bankrate.com/banking/savings/financial-security-january-2019/> <sup>3</sup> Federal Reserve Board, <https://www.federalreserve.gov/publications/2017-economic-well-being-of-us-households-in-2016-retirement.htm>

<sup>4</sup> American Student Assistance, "Life Delayed: the Impact of Student Debt on the Daily Lives of Young Americans,"

[http://www.asa.org/site/assets/files/4743/life\\_delayed\\_whitepaper\\_2015.pdf](http://www.asa.org/site/assets/files/4743/life_delayed_whitepaper_2015.pdf) (2015) <sup>5</sup> <https://www.usatoday.com/story/money/personalfinance/2018/07/20/millennials-risk-tap-401-k-finance-home-purchase/799964002/> <sup>6</sup> EBRI. "Health Savings Account Balances, Contributions, Distributions and Other Vital Statistics, 2017: Statistics from the EBRI HSA Database."

# Since 2008, We've Been Tracking Key Indicators of Both Health and Financial Wellness in Our Own Workforce

Percentage of Prudential employees who reported feeling financial stress or anxiety



Source: Prudential financial wellness case study on Prudential's own associates (<http://news.prudential.com/a-financial-wellness-case-study-prudentials-own-employees.htm>) (2018)



**“For every person we help to achieve financial wellness, we can help improve the last 30 years of their lives.”**

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