

The Journey Toward Financial Freedom

How Americans define financial wellbeing, how they get there and what stands in their way



Table of Contents

- 1 Introduction**
Understanding Americans' perspectives on financial wellbeing
- 2 How Americans Define Financial Health**
The links between financial matters and other parts of life
- 3 Working Toward Financial Independence**
How Americans see their progress toward financial health
- 4 Optimism and Challenges**
The obstacles Americans face and the resources they need to overcome them
- 5 A Path Toward Financial Independence**
What Americans can do to boost their financial health

Introduction

Understanding Americans' perspectives on financial wellbeing

Introduction

What does financial wellbeing mean? If you ask ten individuals, you're likely to get ten different responses. Understanding its meaning is critical to helping Americans improve their financial health.

The following research seeks to:

- Define what financial wellbeing means to Americans.
- Explore the factors that are tied to financial health and wellbeing (including monetary and lifestyle components).
- Identify what's holding Americans back from achieving financial wellbeing and where they need help.
- Provide some tips to facilitate people's journeys toward financial independence.

Executive Summary

'Financial wellness' is a term commonly used to describe Americans' financial health and it is described as part of overall wellbeing. Our research found that a strong majority (77%) of Americans say that "my financial health also affects my physical and mental health" and more than half (57%) connect financial health with overall happiness.

Survey results also point to four key themes that provide a deeper understanding about Americans' financial wellbeing.

1. **There's no "one size fits all" state of financial wellbeing.** A strong majority agree that "financial health is more of an ongoing journey" (72%), rather than "achieving a specific milestone" (28%).
2. **Financial wellbeing is rooted in "freedom and independence."** The vast majority (81%) say, "I will feel financially well when I have the freedom and ability to spend how I want to."
3. **Financial wellbeing can also feel elusive.** A majority (60%) feel confident in their ability to achieve financial health, but only 48% feel financially healthy today. More than dollar amounts, what's most associated with financial wellbeing is peace of mind (for instance, having enough to pay bills and meet spending needs).
4. **Most need help on their journey to financial wellbeing.** Nearly 7 in 10 (69%) face at least one roadblock. Lack of income (27%) and constant expenses (23%) are top barriers. What's more, 76% of Americans say "receiving helpful financial advice makes me more confident in my ability to achieve financial wellness." And 69% believe "financial services companies need to re-define financial health to be more relatable and achievable."

Who We Surveyed

Generations

- Gen Z (ages 18–22)
- Millennials (ages 23–38)
- Gen X (ages 39–54)
- Baby Boomer (ages 55–73)

Cultural Background

- Black Americans
- LatinX Americans
- Asian Americans
- BIPOC
- First Generation Americans
- Political Party

Life Stages

- Caregiver to another family member
- Currently enrolled in higher education
- Veteran
- Parents
- Single parents
- Plan to retire in next 10 years

Sector

- For profit
- Non-profit
- Government

Financial/Life Events

- Have an employer DC plan
- Have investments
- Have a financial advisor
- Have financial advice through employer
- Previously impacted by market downturn
- Unexpectedly lost job
- Have student loans
- Directly impacted by the coronavirus
- Income Level

Methodology:

This survey was conducted by The Harris Poll on behalf of Empower Retirement and Personal Capital from March 23 to April 5, 2021. We surveyed 2,005 people, all of whom were 18+ and living in the US.

How Americans Define Financial Health

The links between financial matters and other parts of life

Opting for Independence

“Financial wellness” has been a popular buzzword over the last few years, referring to the notion of holistic financial health. But does that phrase resonate with and seem achievable for Americans?

The answer from a significant percentage of respondents (41%) was no, they see financial wellness as out of reach.

Instead, Americans prefer the phrase “financial independence” to describe what they want to achieve. They understand that there’s no one-size-fits-all description of financial wellbeing. Instead, person by person, Americans want to define their moneygoals and assess their own progress.

Americans think holistic financial wellbeing is rooted in independence, rather than “wellness” or “confidence.”

81%

“I will feel financially well when I have the freedom and ability to spend how I want to”

41%

“Financial wellness’ feels like a lofty goal I will never reach”

83%

“There is no one definition for financial health; it looks different for everyone.”

Q1: How familiar are you with the term “Financial Wellness?” (n=2005); Q12: How much do you agree or disagree with the following statements? (n=2005)



More than Money

Financial health includes many aspects of our lives beyond dollars and cents. For example, 59% associate financial health with the quality of their lifestyle, 57% say that their overall happiness and their financial health are inextricably linked and 55% say that their financial health and mental health are connected.

What other aspects of your life are connected with financial health?



PART OF AN ECOSYSTEM OF WELLBEING

76% "My financial wellness impacts my mental wellness" (84% Asian | 80% Black)

77% "My financial health also affects my physical and mental health"

69% "How I feel physically and mentally relies heavily on how I am doing financially" (75% Millennial | 76% Parents | 71% Black)

Q3: In your opinion, how connected are each of the following elements with financial health or financial wellbeing? (n=2005); Q12: How much do you agree or disagree with the following statements? (n=2005)



Stability, Survival and Aspiration

When thinking about financial wellbeing, Americans focus on the essentials: stability and survival. The vast majority are focused on being able to pay bills, expenses and debts, as well as having enough money to cover their future needs and save money on a regular basis.

A smaller group associates financial wellbeing with an aspirational outlook. They see financial wellbeing as being comfortable, able to buy whatever they want without worry and able to spend on leisure activities.

Americans' approach to financial health

41% Survival

- Being able to pay bills/expenses on time
- Having little or no debt; being loan-free
- Being financially stable; able to manage money well
- Being able to survive or make ends meet

45% Stability

- Being financially secure; having enough money
- Having savings; being able to save money for future
- Having an emergency fund or savings to cover unexpected crisis
- Having retirement savings or being able save money
- Having investments or enough money to make investments

29% Aspiration

- Having a comfortable or worry-free life
- Being able to live on my terms, to buy whatever I need without hesitation
- Being able to live a good life
- Being able to have fun or spend on leisure activities (go on trips, etc.)
- Having good health; being healthy

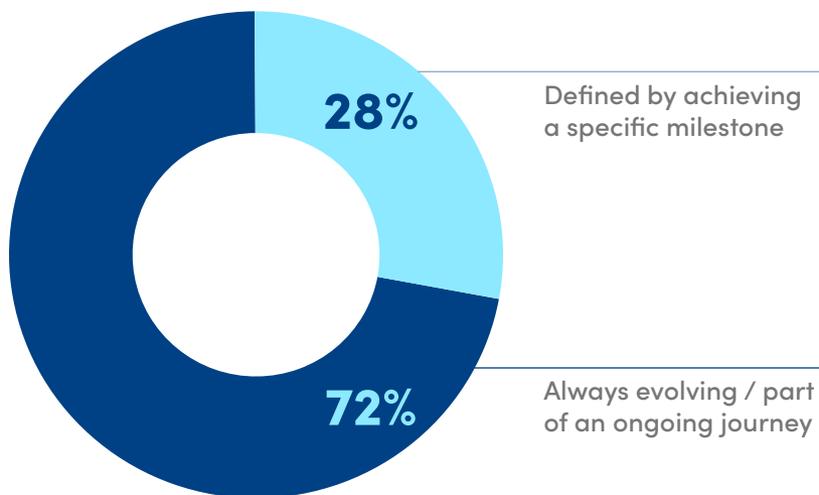
Q2: What does being financially healthy mean to you? (n=2,005)



Aiming for Financial Independence

Americans' definition of financial wellness isn't fixed—it evolves as they move through different phases of life or experience major, perspective-changing events. It's really a journey to get to a place of financial independence. That destination is different for everyone.

Financial health is....



Evolution of financial health

84% “Financial health is relative based on your life stage and situation”

82% “Being ‘financially healthy’ has meant different things to me at different stages of life”

51% Say their definition of financial health has changed over time

Q10_3: Which of the following statements is more true for you? (n=2005); Q8: Has your definition of financial health changed over time? (n=2005); Q12: How much do you agree or disagree with the following statements? (n=2005)



Reacting to COVID-19

Definitions of financial wellbeing and health tend to evolve over time as people enter new phases of life, or as external events come into play. In 2020, the COVID-19 pandemic upended our lives in many ways—including how we think about our finances.

Biggest impacts on changing financial health definitions

1	Experiencing the pandemic	39%
2	Having debt	35%
3	A life event (41% Millennial 39% Parents 38% HHI \$100K+)	31%
4	Experiencing economic downturn (44% Millennial 44% Gen X)	30%
5	Salary/income increase (40% Gen Z)	29%
6	Loss of a job	20%
7	Other	6%
8	None of the above	6%

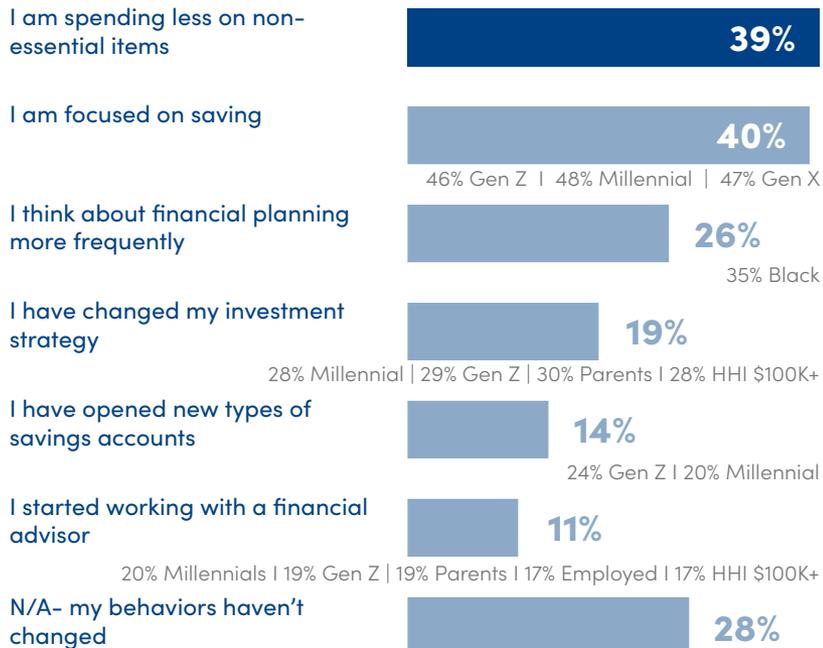
Q9: What has had the biggest impact on your change in definition of financial health? (n=1014); Q18: Since the COVID-19 pandemic, has the definition of financial health changed for you? (n=2005); Q19: In which ways do you feel the COVID-19 pandemic has changed your definition of financial health? (n=834)



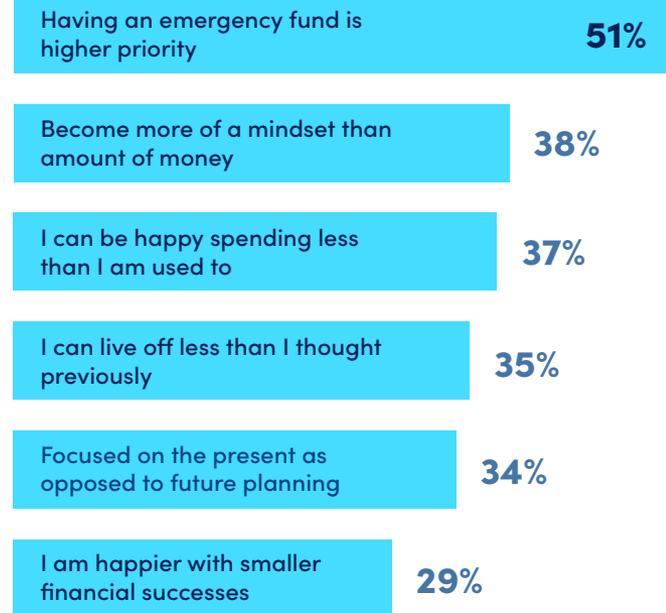
Back to Basics in the Pandemic

The pandemic also changed Americans' financial habits, renewing their focus on stability. COVID-19 taught us to expect the unexpected, and Americans went back to basics to shore up their finances so they can withstand any future shocks.

How money behaviors changed due to the COVID-19 pandemic



Ways Covid-19 has changed financial health definitions



Q20: How have your behaviors with money changed since the COVID-19 pandemic? (n=2005)

Key Takeaways

Definitions of Financial Health

Defining financial health: Americans feel there's no one-size-fits all definition and strive toward financial independence.

Primary drivers of financial health: Stability and security are key factors of financial health. Most Americans aim to have enough money to cover expenses and avoid losing sleep over money worries.

Back-to-basics: The COVID-19 pandemic changed many Americans' definition of financial health, prompting them to focus on the basics: spending less and saving more.

Working Toward Financial Independence

How Americans see their progress toward financial health

Financial Wellbeing by the Numbers

Most believe that they won't achieve this milestone until nearly age 50—or when they have over half a million dollars in the bank.

47

Average age at which
respondents feel
financially healthy

49

Average age at which
respondents think
people feel financially
healthy

\$516,433

Average amount
saved necessary to be
financially healthy

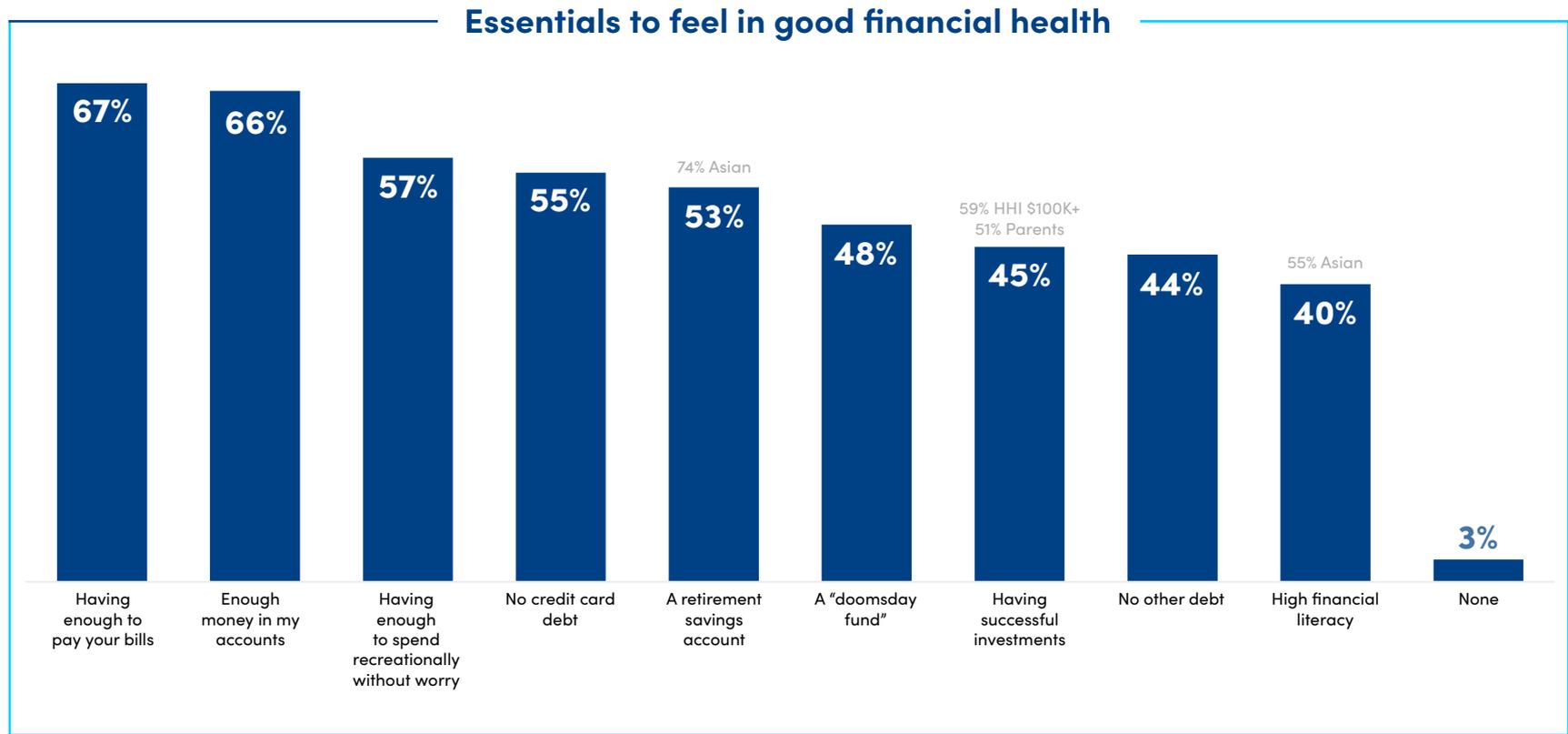
78% say net worth is an important number to track, and 73% say that their net worth is a top indicator of financial health. Yet only 66% know what their net worth is.

Q12: How much do you agree or disagree with the following statements? (n=2005) ; Q15: At what age you do think the average American feels financially healthy? (n=2005); Q16: At what age do you think you will feel financially healthy or when did you feel financially healthy? (n=2005); Q17: How much money do you need to have saved to be financially healthy? (n=2005)



Seeking Peace of Mind

Most agree that feeling in good health means having enough to cover expenses and not feel weighed down by worries over money. More than two thirds of Americans (67%) say having the peace of mind to cover bills without worry is the #1 thing they need to feel financially healthy.



Q13: Which of the following, if any, do you need to have to feel like you are in good financial health? (n=2005)



Balancing Today's Needs and Tomorrow's Opportunities

Americans see covering shorter-term financial needs as a big factor in financial wellbeing. But they balance those priorities with investing in the future—getting free of debt, meeting retirement goals and other long-term issues.

Connection with financial health (Top 3 Box)

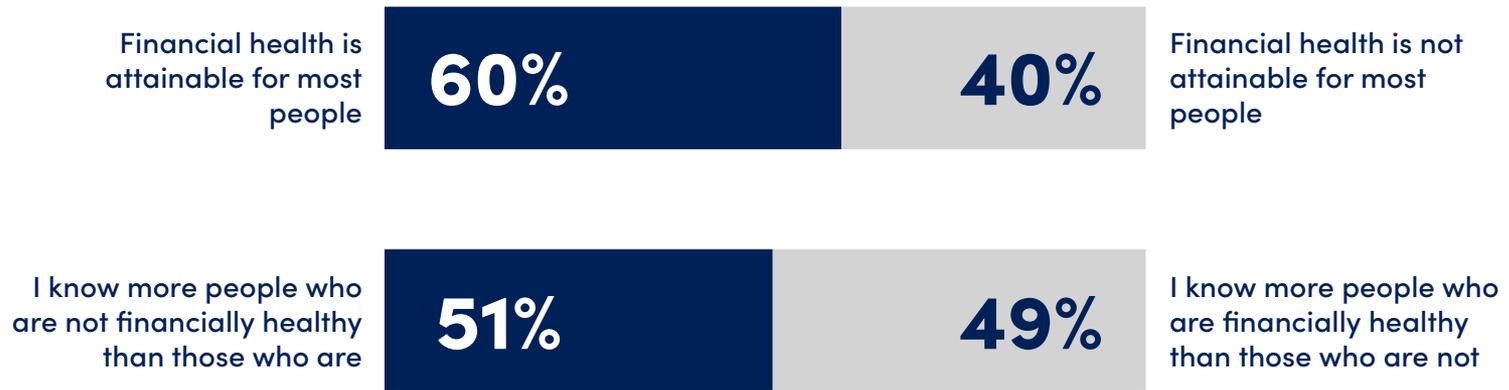
	More associated with short-term needs	More associated with long-term needs
75%	Paying bills on time and in full	
71%	Having an emergency fund	
70%	Having a good credit score	
69%		Being debt-free
69%		Being able to retire when I want to
69%		Being able to save consistently
65%	Being able to make big purchases when needed w/o worry	
64%		Reaching a certain savings balance
63%		Buying/owning a home
62%		Reaching a certain net worth



Q4: In your opinion, how connected are each of the following elements with financial health or financial wellbeing? (n=2005); Q10_4: Which of the following statements is more true for you? (n=2005); Q10_5: Which of the following statements is more true for you? (n=2005)

A Disconnect Between Perception and Reality

While many Americans believe financial wellbeing is attainable, less than half actually feel “very financially healthy” today.



Only 48% say they feel “very financially healthy” themselves.

(8-10 on 10-point scale)

Those reporting very high financial health are more likely to be contributing to a workplace retirement plan (79%) compared to those with average (61%) or low (40%) health.

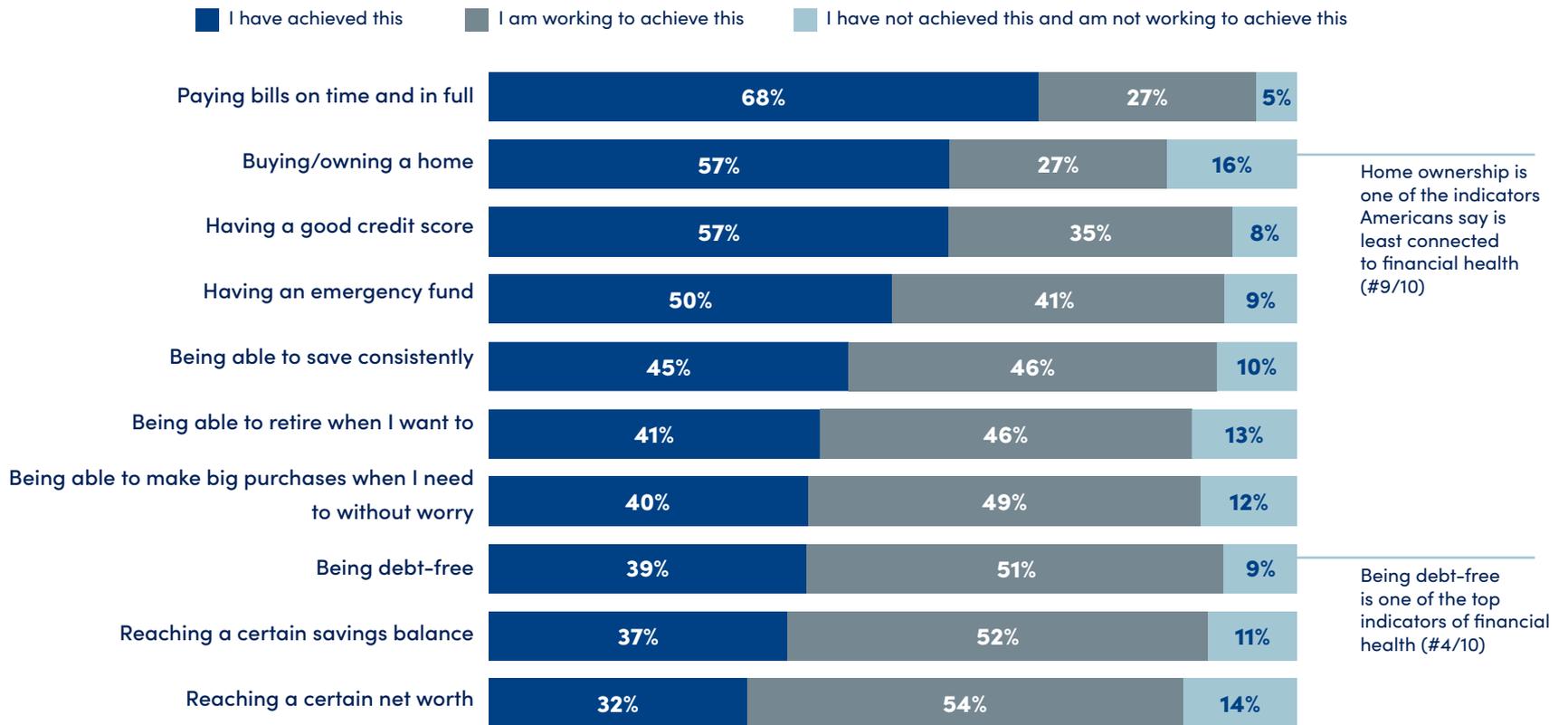
Q10_2: Which of the following statements is more true for you? (n=2005); Q10_7: Which of the following statements is more true for you? (n=2005); Q6: On a scale from 1-10, how financially healthy do you feel? (n=2005)



Mixed Progress Toward Financial Goals

Americans' financial priorities are clear. The trouble, they say, is making those priorities a reality. For instance, while 69% say lacking debt is a top contributor to financial health, only 39% are debt-free.

Progress toward financial goals



Q5: Which of the following describes your progress toward these goals? (n=2005)



Key Takeaways

Working Toward Financial Independence

Envisioning financial wellness: Americans are looking for half a million dollars in the bank, and they don't think they'll hit that target until nearly age 50.

Financial health foundation: At a minimum, Americans equate financial health with having enough to cover their expenses without worry.

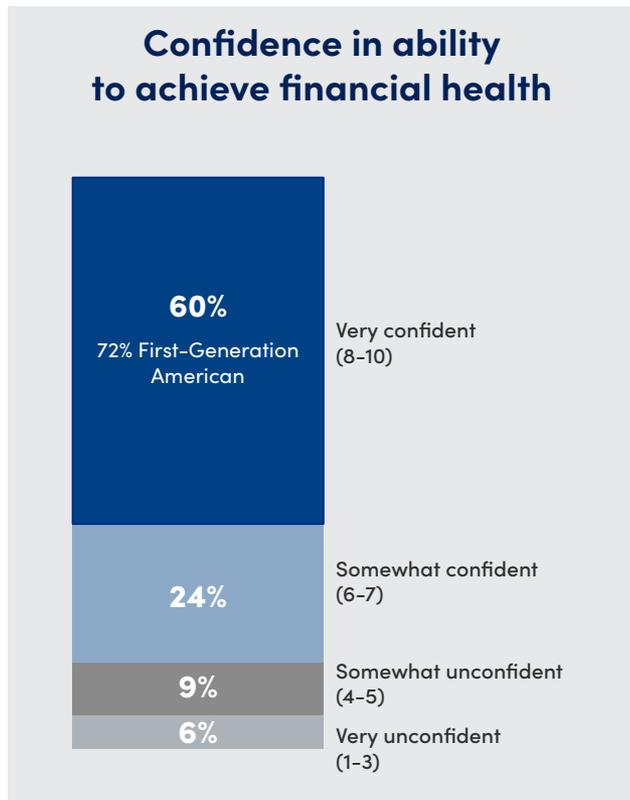
Theory vs. practice: While many Americans believe financial wellbeing is attainable, less than half say they're financially healthy today.

Optimism and Challenges

The obstacles Americans face, and the resources they need to overcome them

A Bright Outlook

The same percent of Americans (60%) who think financial health is achievable for most, also feel optimistic and confident about their own financial wellbeing in the future. When thinking about optimizing financial health, more Americans have positive than negative associations.



Emotions associated with optimizing financial health

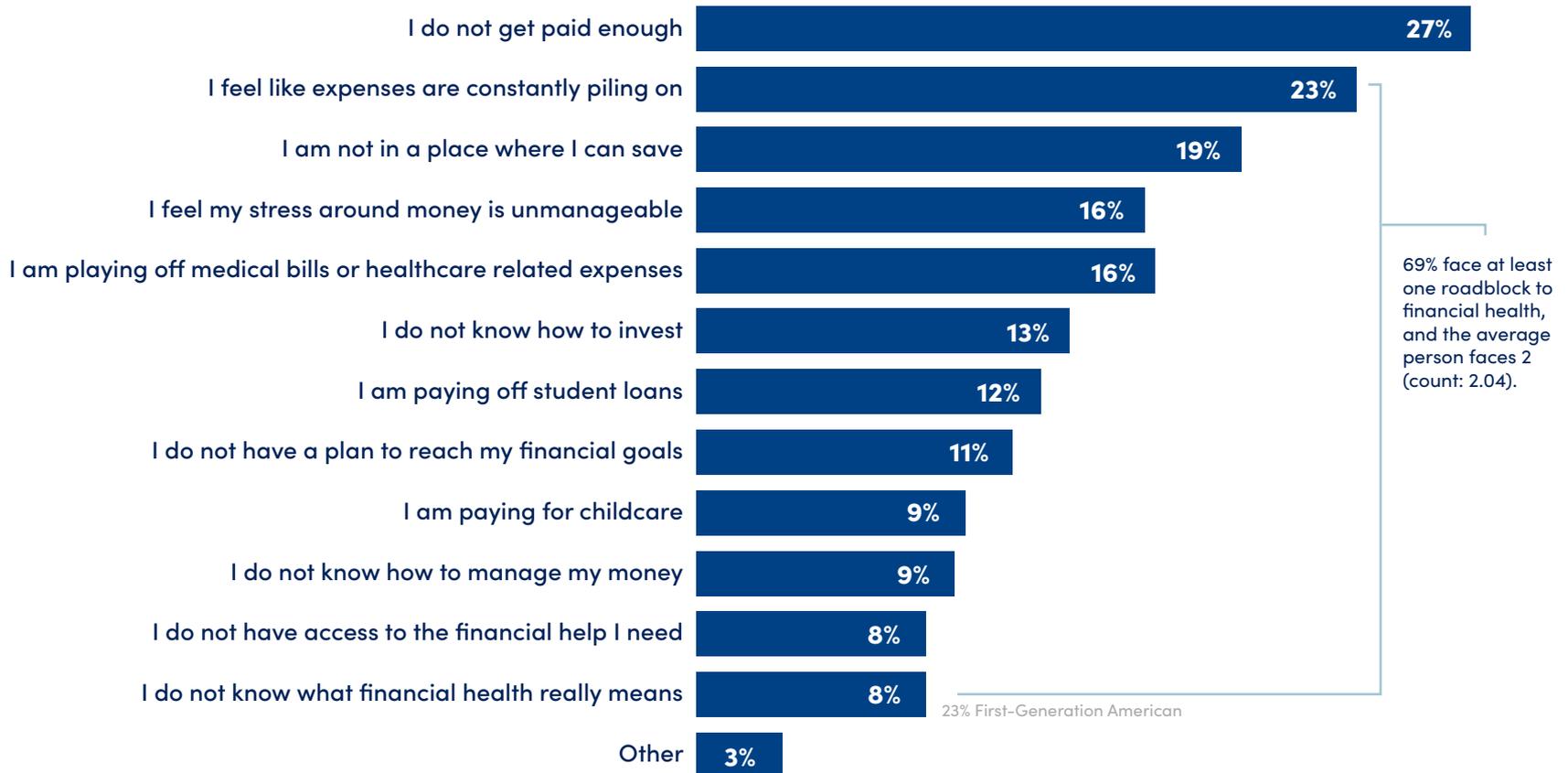


Q11: Which of the following, if any, describe how you feel when you think about optimizing your financial health? (n=2005); Q7: How confident are you in your ability to achieve financial health (n=2005)

The Challenges of Income and Expenses

Despite Americans' optimism, they report facing several barriers to becoming financially healthy. The biggest problems are the basics: too little income (27%) and too many expenses (23%).

Roadblocks when trying to become financially healthy



Q22: What are the biggest roadblocks you have faced when trying to become financially healthy? (n=2005).
 "None of the above" responses total 31%.

Help on the Journey

Americans would accept a helping hand: 8 in 10 (78%) said they need help optimizing financial wellbeing. They're particularly looking for assistance with paying down debt and building an emergency fund.

Areas where people want help (Top 3 Box)



32%

Paying off debt

41% Gen X | 37% Millennial



30%

Building an emergency fund



28%

Investment strategy



24%

Planning for my entire household's needs



24%

Saving for large purchases
37% First-Generation American



14%

Making financial tradeoffs



27%

Planning for retirement

39% Gen X | 32% Gen Z



26%

Reducing money stress

64%

"I would like to have access to a financial wellness program that is tied to my retirement plan"

76% Millennial | 73% Gen X

76%

"Receiving helpful financial advice makes me more confident in my ability to achieve financial wellness"

83% Millennial | 82% Gen X

42%

"I feel alone on my financial health journey"

56% Gen Z

Q23: Which of the following are some of the biggest areas you would like help in optimizing your financial health? (n=2005); Q25: How much do you agree or disagree with the following statements? (n=2005). Q24: Who are your biggest allies when it comes to your journey toward financial health? (n=2005); Q25: How much do you agree or disagree with the following statements? (n=2005)



Looking for Support

Many respondents (70%) say that learning more about financial health is a priority. A similar percent are interested in having a total financial wellness picture involving all aspects of their lives.

Ways Americans want to learn more about their finances



70%
 “Learning more about financial health is a priority for me”

Q26: What tools, if any, could a financial services company provide to help you optimize financial health? (n=2005);
 Q25: How much do you agree or disagree with the following statements? (n=2005)

Key Takeaways

Optimism and Challenges

Financial wellbeing status: Ultimately, Americans are confident and optimistic about their ability to achieve financial wellbeing, but they face a variety of roadblocks, including too little income and too many expenses.

Americans want help: Americans are open to getting help with their finances. In particular, they'd like to get help paying off debt and building an emergency fund.

Financial advice helps build confidence: Three-quarters of Americans say that receiving helpful financial advice makes them more confident in their ability to achieve financial wellness

A Path Toward Financial Freedom

What Americans can do to boost their financial health

Focus on your financial well-being

Today, 60% of Americans feel confident in their ability to achieve financial health, but less than half actually feel financially healthy right now.

The good news is that Individuals can improve their current financial state of mind and outlook by starting with the basics. They can do this by getting a good grasp on where they stand with their money. This includes determining what individuals have versus what they owe—essentially creating a personal balance sheet, determining retirement readiness, and evaluating investment portfolio optimization among other actions. There are several free tools available online to help you establish a baseline when it comes to your money.

Once individuals have established a financial baseline, they can target the various roadblocks that are standing in the way of their financial wellbeing.

- *Are they sticking to a reasonable budget?*
- *Do they have a sufficient emergency fund?*
- *Do they have high-interest debt?*
- *Are they on track to retire when they want?*
- *Are they reaching your savings goals?*

Having a comprehensive personal financial picture is essential—after all, individuals can't improve what they can't see or track. It also creates a greater sense of control over an individual's money and goes a long way towards financial well-being.

Put a plan in place

Americans consider covering shorter-term financial needs and balancing those priorities with investing in the future as a big factor in financial wellbeing. However, for many Americans, managing multiple short- and long-term priorities can be a challenging balancing act.

It's critical for individuals to look at their personal financial roadblocks and goals and identify what's most important to them. With less than half of Americans having achieved many of their top financial objectives, it's important to prioritize goals, create a written plan to achieve those goals and then follow through with that plan.

Part of the process should also include a financial plan review every 12 to 18 months to monitor progress and make adjustments as necessary. This is where financial guidance can really help—both to create and help individuals stick to their plans.

Seek advice

Americans don't have to go at it alone when it comes to improving their financial health and gaining more financial confidence. Getting out of debt, paying for college and saving for a secure retirement can be challenging. Americans can ask for help.

Most Americans (76%) believe using advice is critical to feeling better about their financial picture. Professional advice can help individuals stay on track toward achieving both their current and long-term savings, investment and retirement goals.

There are different ways to access professional advice. Individuals can meet with a financial professional outside of work or for those enrolled in a workplace retirement program, they may have access to in-person and online resources. Their employer or retirement provider can run through what's available.

There is no guarantee provided by any party that participation in any of the advisory services will result in a profit.

This survey was conducted by The Harris Poll on behalf of Empower Retirement and Personal Capital from March 23, 2021 to April 5, 2021 among 2,005 respondents. To qualify, respondents live in the US, ages 18+, employed full time or retired and not currently working in sensitive industries. Sensitive industries are defined as financial services or wealth management industries where a potential conflict of interest may exist. Generations defined as Gen Z (18-22), Millennials (23-38), Gen X (39-54) and Boomers (55-73) Personal Capital is an affiliate of Empower Retirement. This material is for informational purposes only and is not intended to provide investment, legal or tax recommendations or advice. The charts, graphs and screen prints shown are for ILLUSTRATIVE PURPOSES ONLY. The Empower Institute is a research group within Empower Retirement, LLC.

©2021 Empower Retirement, LLC. All rights reserved. RO1729849-0721

