Helping lower-income employees map their own course for today, tomorrow, and the future
Making a difficult climb
For those living on less, sticking to a budget, staying out of debt, and saving for the future can seem like a tough task. With two-thirds of employees who make less than $50,000 a year living paycheck-to-paycheck,¹ it’s important to understand the needs of this population and address the issues most relevant to them.

Among those living paycheck-to-paycheck:²
- 74% have less than $49,000 in retirement savings
- 35% are deferring 3% or less toward retirement
- Age isn’t a deciding factor—this population is evenly distributed across all age groups:

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-35</td>
<td>34%</td>
</tr>
<tr>
<td>35-50</td>
<td>33%</td>
</tr>
<tr>
<td>50-70</td>
<td>32%</td>
</tr>
</tbody>
</table>

For the purpose of this research, “lower income” refers to those making $50,000/year or less.
Money isn’t everything

Low-income employees face many challenges trying to meet today’s needs and plan for the future. But it can be done. There are lower-income people who are thriving, just as some high-income people are barely getting by.

Percentage of employees in each category

<table>
<thead>
<tr>
<th>Category</th>
<th>Low income (Less than $50,000/year)</th>
<th>All others ($50,000/year or more)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Thriving</strong></td>
<td>6%</td>
<td>20%</td>
</tr>
<tr>
<td>Doing well in all areas—money, work, health, and life.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Living well on less</strong></td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>Struggling financially despite doing well in health, work, and life.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Work-life imbalanced</strong></td>
<td>12%</td>
<td>25%</td>
</tr>
<tr>
<td>Struggling in work and life despite doing well in health and wealth.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Getting by on a shoestring</strong></td>
<td>36%</td>
<td>20%</td>
</tr>
<tr>
<td>In need of financial support, yet doing OK in health, work, and life.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Barely surviving</strong></td>
<td>26%</td>
<td>10%</td>
</tr>
<tr>
<td>Struggling with money, work, and life. Health isn’t much better.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Lower income, higher stress

Everyone feels some amount of stress, especially about financial issues. But those in a lower-income group tend to feel much more stress than others, except related to work and kids. This heat map illustrates how lower-income employees differ from those with a higher income in the stress they feel about money, health, life, and work.

<table>
<thead>
<tr>
<th>Low-income stress level relative to those making more than $50K/year:</th>
<th>Less stress</th>
<th>No difference</th>
<th>More stress</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Money</th>
<th>My overall financial situation</th>
<th>Saving for the future</th>
<th>Paying off my debt</th>
<th>Maintaining a budget</th>
<th>Investing my money</th>
<th>Paying for healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>20s</td>
<td>30s</td>
<td>40s</td>
<td>50s</td>
<td>60s</td>
<td></td>
</tr>
<tr>
<td>Money</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Health</th>
<th>My health overall</th>
<th>My weight</th>
<th>My diet</th>
<th>My sleep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>20s</td>
<td>30s</td>
<td>40s</td>
<td>50s</td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Life</th>
<th>My living situation</th>
<th>My spouse/partner</th>
<th>My children</th>
<th>My family’s health</th>
<th>My parent(s)</th>
<th>My spouse/partner’s job</th>
<th>My extended family</th>
<th>My friends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>20s</td>
<td>30s</td>
<td>40s</td>
<td>50s</td>
<td>60s</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Work</th>
<th>My job</th>
<th>My commute</th>
<th>My boss</th>
<th>My coworkers</th>
<th>My work environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>20s</td>
<td>30s</td>
<td>40s</td>
<td>50s</td>
<td>60s</td>
</tr>
<tr>
<td>Work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Debt: A slippery slope

More than half of lower-income employees are just breaking even or spending more than they are earning on a monthly basis, making it no surprise that they are more likely to have debt than those earning more than $50,000. While income plays a big role, spending behaviors can make or break the bank.

- Monthly spending:
  - Percentage who spend more than they earn:
    - Income ≤ $50K: 24%
    - Income > $50K: 9%

- Debt-to-income ratio:
  - Average percentage of income spent on debt payments:
    - Income ≤ $50K: 40%
    - Income > $50K: 23%

Many lenders will exclude applicants with a debt-to-income ratio of 36% or higher.
The burden of medical debt

Lower-income employees are twice as likely to have unpaid medical bills, which can lead to higher levels of stress.

Who has medical debt?³

- **25%**
  - Income ≤ $50K
- **13%**
  - Income > $50K

Lower-income people with unpaid medical bills are more than twice as likely to feel highly stressed about their finances:³

With unpaid medical

- 24%
  - highly stressed

No unpaid medical

- 9%
  - highly stressed
Missing out on investments

Owning a home is a big financial responsibility but one that comes with benefits such as tax advantages and building equity and good credit. Lower-income workers are less likely to be able to take advantage of home ownership but must evaluate their own situation to determine if this opportunity is right for them.

This calculator can help employees see how buying or renting may affect their budget today and in the future.
A little savings can make a big difference

Having any emergency fund can help alleviate financial stress, even for employees who don’t experience an emergency. Many lower-income employees do manage to save. However, there are still many who need help.

How they think they would feel if they had a financial emergency among those earning ≤ $50K

- **35%** completely overwhelmed
- **46%** a little overwhelmed
- **19%** prepared

Lower-income people without emergency savings are nearly twice as likely to report feeling highly stressed or anxious as those who have any amount of savings.

Emergency savings among employees earning ≤ $50K

- **45%** little to none
- **30%** 1-3 months of expenses
- **25%** 3+ months of expenses
Get them off on the right foot

Despite competing financial priorities, the majority of lower-income employees still manage to save for retirement, with help from their employers.

Getting them started

Auto enrollment (AE) makes a big difference in participation rates among those making ≤ $50K.

Keeping them going

Opt-out rates don’t rise significantly with a higher default deferral percentage.

Percentage who opt out of AE among those age 35 and younger making less than $50,000/year:

AE default deferral percentage

- 1%
- 2%
- 3%
- 4%
- 5%
- 6%

- 19% (AE plans)
- 20% (Non-AE plans)
- 17% (AE plans)
- 22% (Non-AE plans)
- 22% (AE plans)
- 15% (Non-AE plans)

67% of lower-income employees are auto enrolled into the 401(k)
Another way to give them a boost

Auto enrollment plus the power of automatic annual increase programs (AIP) helps employees save more for retirement—and very few opt out.

Among employees under 35 years old making ≤ $50K.

- **88%** of young employees stay in the AIP when they’re defaulted in by their employer.
- **9%** of young employees enroll in an AIP when they’re on their own.

To read more about AIP, download [this e-book](#).
Review [this infographic](#) designed to show employees the power of saving 1% more.
Helping employees find solid footing

By providing education and resources, we can help employees increase their confidence and get on the right path to meet their goals today and in the future.

Fidelity’s MyMoney Checkup gives employees a Financial Wellness Score and offers next steps for improvement.

Budgeting
Understanding spending habits and sticking to a budget is the first step.

FOR EMPLOYEES:
Saving & Spending Checkup (tool)

Emergency savings
An emergency fund can help keep employees out of debt when unexpected expenses arise.

FOR EMPLOYEES:
3 things to know about an emergency fund (video)

Cutting debt
A solid financial plan includes a strategy for paying down debt.

FOR EMPLOYEES:
How to pay off debt—and save too (article)