A path for everyone

Helping lower-income employees map their own course for today, tomorrow, and the future

Fidelity INVESTMENTS

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.

For the purpose of this research, "lower income" refers to those making $50,000/year or less.

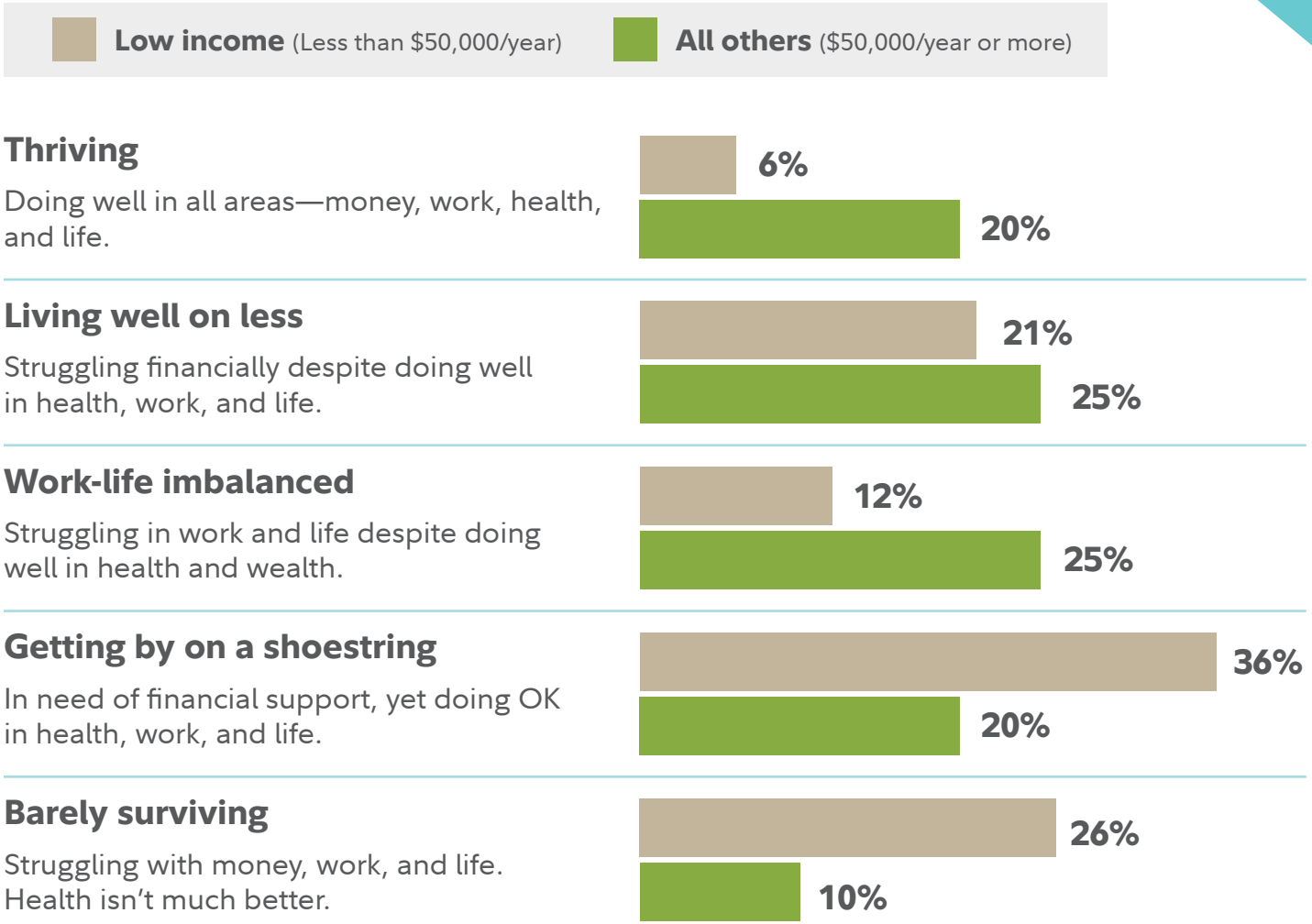
Among those living paycheck-to-paycheck:[2]

- 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:

Money isn't everything

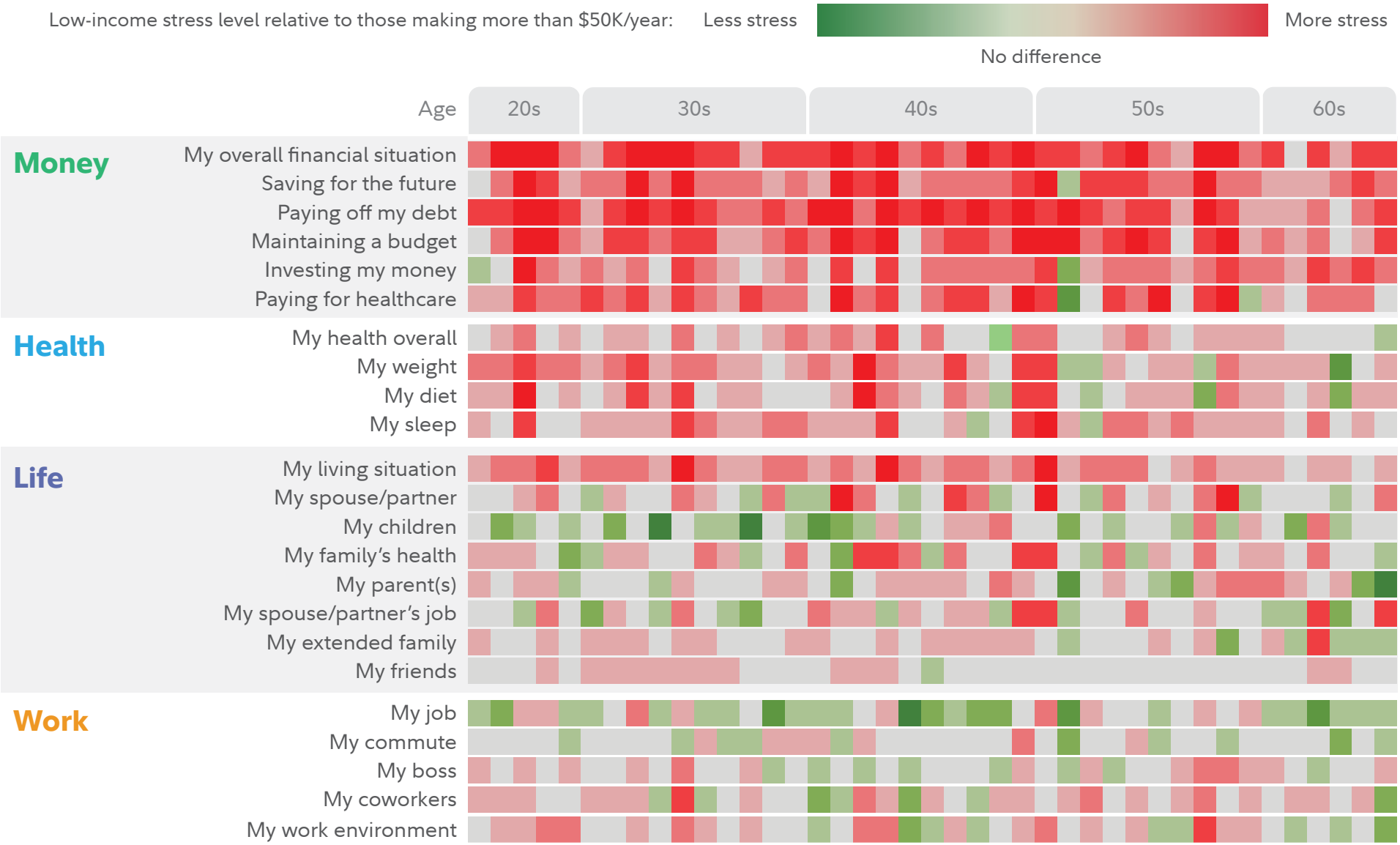
Low-income employees face many challenges trying to meet today's needs and plan for the future. But it can be done. There are lower-income people who are thriving, just as some high-income people are barely getting by.

Percentage of employees in each category[3]



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[3] illustrates how lower-income employees differ from those with a higher income in the stress they feel about money, health, life, and work.



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[4]

Percentage who spend more than they earn

24% Income ≤ $50K

9% Income > $50K

Debt-to-income ratio[3]

Average percentage of income spent on debt payments

40%
Income ≤ $50K

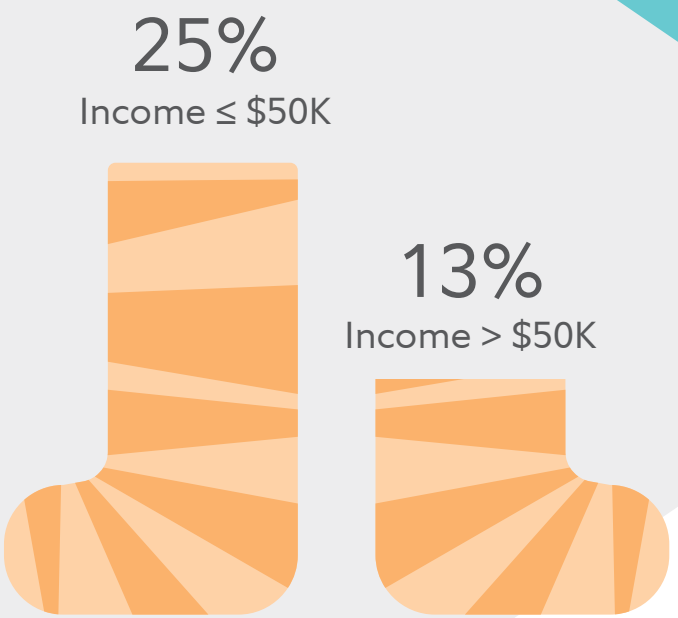
23%
Income > $50K

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

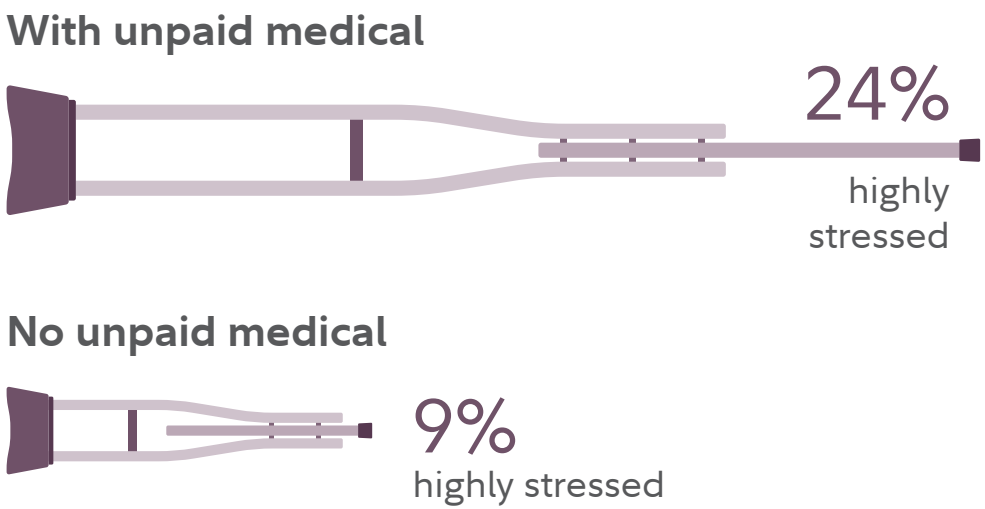
The burden of medical debt

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]



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

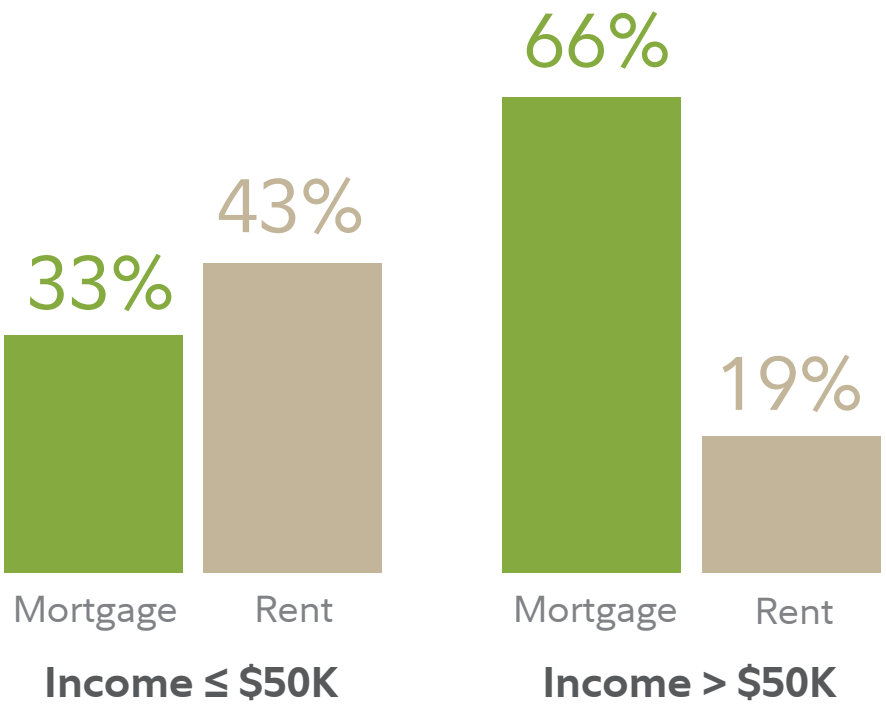


Missing out on investments

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.

Owning or renting?

Those who report having a mortgage vs. rent their home:[4]



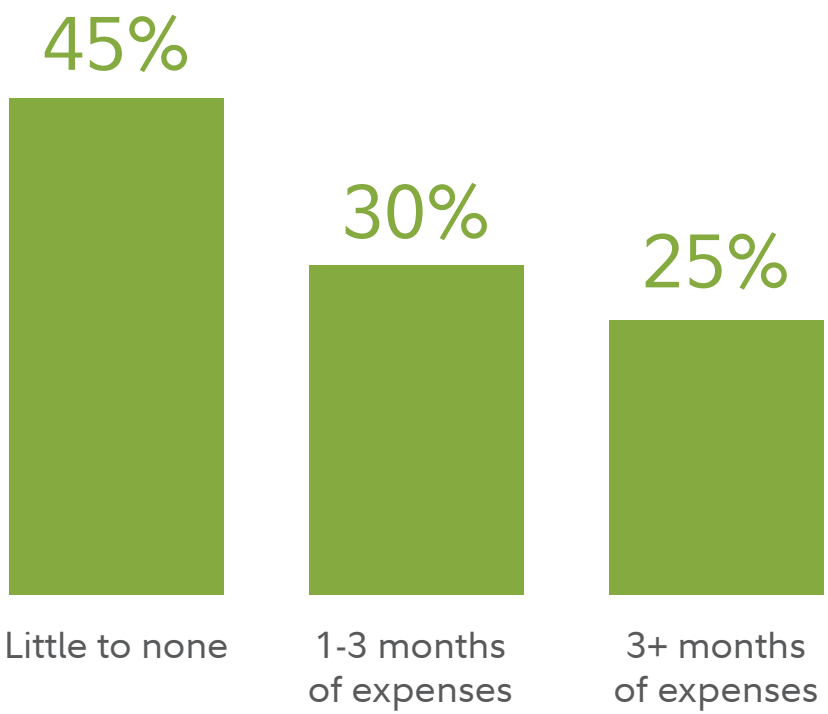
This calculator can help employees see how buying or renting may affect their budget today and in the future.

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.

Emergency savings[2]

among employees earning ≤ $50K



How they think they would feel if they had a financial emergency[2]

among those earning ≤ $50K

35%
completely overwhelmed

46%
a little overwhelmed

19%
prepared

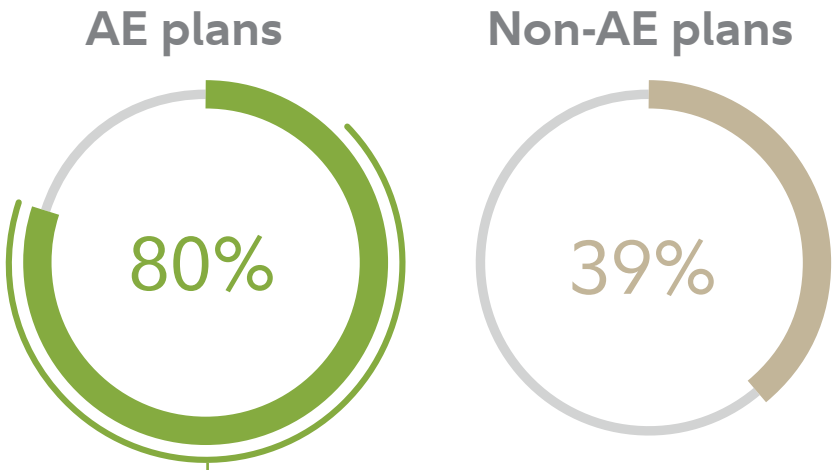
Lower-income people without emergency savings are nearly twice as likely to report feeling highly stressed or anxious as those who have any amount of savings.[3]

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[5]

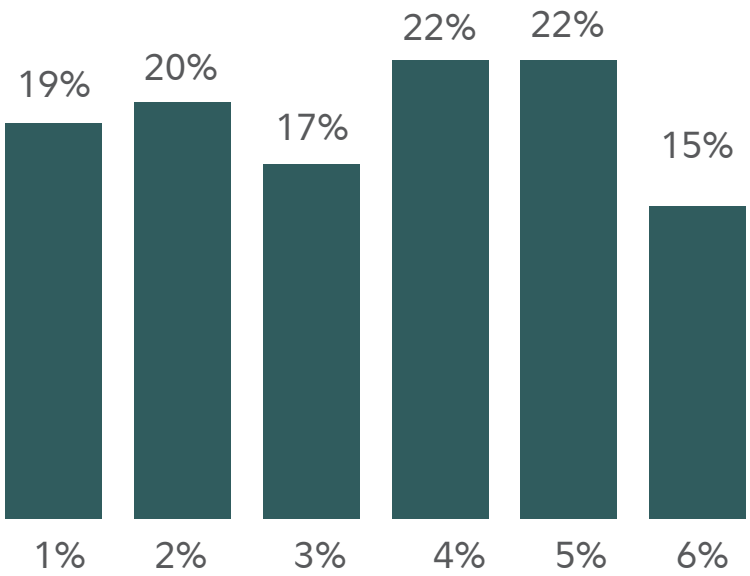


67% of lower-income employees are auto enrolled into the 401(k)

Keeping them going

Opt-out rates don't rise significantly with a higher default deferral percentage[5]

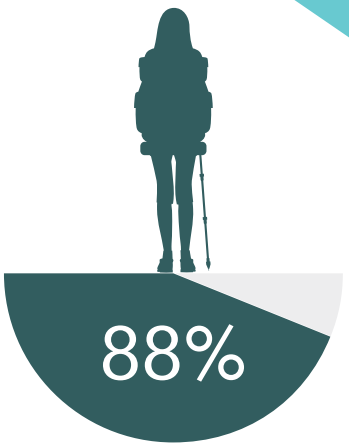
Percentage who opt out of AE among those age 35 and younger making less than $50,000/year:



AE default deferral percentage

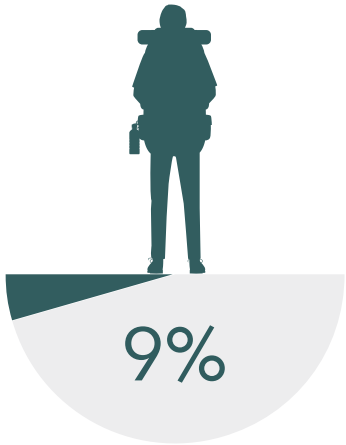
Another way to give them a boost

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



of young employees **stay in the AIP** when they're defaulted in by their employer[5]

vs.



of young employees **enroll in an AIP** when they're on their own[5]

To read more about AIP, download this e-book

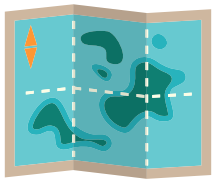
Review this infographic designed to show employees the power of saving 1% more.

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

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)

Cutting debt

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

FOR EMPLOYEES:

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

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)

[1] Fidelity My Money Checkup survey: Based on 101,000 responses received employees making less than $50,000/year. As of 9/30/18.

[2] Fidelity My Money Checkup survey: Based on 68,400 responses received from employees making less than $50,000/year and reporting breaking even and/or spending more than they make. As of 9/30/18.

[3] Fidelity Investments Total Well-Being Research, an online survey of 9,315 active Fidelity 401(k) and 403(b) participants from across the United States. The survey was conducted by Greenwald and Associates, an independent third-party research firm, on behalf of Fidelity in September 2017.

[4] Fidelity My Money Checkup survey: Based on 368,900 responses, including 101,000 responses from those making less than $50,000/year. As of 9/30/18.

[5] Based on Fidelity's recordkept data for 1.5M active lower-income participants making less than $48k and with a balance >$0, as of 3/31/18.

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Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

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