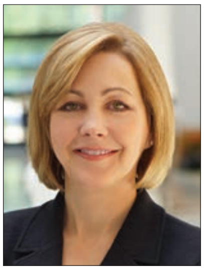

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Balancing the Priorities of Today With the Needs of Tomorrow

As an industry, we understand that many Americans rely on their employer-sponsored retirement plan as their primary vehicle for retirement savings. We also recognize that we have the responsibility and the opportunity to educate and inform our customers, so they can retire with dignity and enjoy the financial security they worked so hard to build over the course of their working years.

The good news is we are making progress, and our message about the importance of saving is resonating—most participants think they need to save 15 percent of their salary.[1] The average deferral rate industrywide is still only 10 percent, but we are moving in the right direction with participants.

However, there are still eligible employees who do not contribute at all. We can no longer only focus on helping those who are taking part in the plan—we also need to engage this group and move them from non-participants to participants.

Anatomy of a Non-Participant

In Lincoln Financial Group's 2019 *Retirement Power* study, we looked at the non-participant audience to dig a little deeper and understand why they aren't taking advantage of their employer-sponsored retirement plan. Nearly one third of this audience have no retirement savings, while the remainder have savings outside of their plan—but the majority have less than $100,000 saved.

Those who have savings are using IRAs, have savings in a prior employer's plan, have an investment account earmarked for retirement, or use an HSA. Of the non-participants with no retirement savings, the majority say they simply can't afford to save. However, that perception may not be reality.

Juggling Priorities

Both participants and non-participants struggle to balance competing financial priorities, but the non-participants view them as bigger obstacles. In fact, our research found that overall, those taking part in their employer-sponsored plan have more debt (credit cards, mortgages, and car loans) than non-participants. Both groups are also juggling caregiving responsibilities for children and adult family members.

We need to not only help them understand the importance of saving for retirement—but to help savers understand how they can balance their financial future with the daily money pressures they are facing.

A proven solution that can help change these perceptions and make saving a reality is a financial wellness program. These types of programs can help both participants and non-participants deal with financial stress and learn how to balance their competing priorities—as well as help the participants do so even more effectively.

Financial wellness tools can provide immediate help with everyday budgeting, goal setting, and prioritization. These are all key to helping employees understand where their money is going, and how they can start to save (or save more) for retirement.

Goal-Setting and Confidence

It may not be as surprising that fewer non-participants set specific goals for how much to save, especially considering one third of them have no retirement savings at all. We know, though, that goal-setting is effective: Participants are three times more likely to contribute 15 percent or more if they set a specific goal.

In addition to lacking goals, there's a lack of confidence in non-participants, who are only about half as confident as participants that they will be able to have

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enough money to maintain the lifestyle they want in retirement, or to accumulate enough money to retire when they choose. Those non-participants are also less confident overall about making retirement savings decisions. Financial wellness programs can help with this too, as starting to save and setting a goal can help build their confidence.

The Path Forward

Financial wellness tools are a powerful arrow in our quiver, and these robust solutions can help address the roadblocks that individuals see on their path to retirement. But wellness programs alone cannot solve the retirement savings crisis. It is also vital that we continue to drive innovation in the products we offer, and work closely with advisors, employers, and employees to design plans that serve their needs.

The good news is that the majority of non-participants (65 percent) said they plan to contribute to their employer's plan eventually, so let's all work together to get them on that path as soon as possible.

It is critical that we continue to stay focused on educating everyone who has access to a plan about the clear benefits of participating and saving more. Working together, we can truly make a difference for the American saver.

[1] 2019 Lincoln *Retirement Power® Participant Study.*