A commitment to financial wellness

Helping to solve for retirement through broader goal setting

Lincoln Retirement Power®
Participant Engagement Study

Position paper
“Financial wellness” is a term that is being used quite a bit across the financial services industry. For some providers, this may be just a passing fad. Lincoln Financial Group sees the potential for financial wellness to be much more.

Financial wellness isn’t just about saving for retirement. It’s about giving our customers the tools and confidence to make smarter financial choices in every aspect of their lives. From everyday budgeting to goal setting and prioritization, Lincoln understands that’s where most people spend their everyday…and where they need help now.

When those day-to-day concerns are addressed, participants can focus on larger, traditional economic goals like retirement and financial protection. In fact, being financially unwell can erode retirement readiness, even for those who think they’re ready.

The time is now to help savers prepare for the futures they deserve. We’ve seen firsthand the impact of massive economic shifts over the past decade, and, with over a century of helping Americans plan for retirement, we’ve seen a lot.

What we’re seeing and hearing now is an overwhelming need for overall financial wellness education. In the following pages, we’ll lay out three major findings revealed by the recent Lincoln Retirement Power® study, and we’ll discuss what this research means for our clients and their participants.
Plan participants across the retirement industry are communicating optimism.

**Balances are up, and participants are making better choices.**

Americans saving for retirement are experiencing an upswing in their account balances. The number of workers with balances of $250,000 or more has increased markedly since 2012. This is at least partly due to an upturn in markets, but positive behaviors by participants have also played a significant role.

More Americans are saving the maximum allowable dollar amounts within their respective plans, and an even larger number have an understanding of how much they should be saving. All of this is good news, as workers are actively taking positive retirement savings action while riding a wave of relatively strong market performance.

**Emotions mirror current positive retirement outcomes.**

Emotions on the subject are improving, as well. Almost 70% of retirement savers feel at least one positive emotion about their retirement savings. This positive inclination contrasts with 51% who feel at least one negative emotion.

**Good news and greater interest.**

While this optimism is good news, we can gain more ground: 66% of plan participants believe they should be saving 10% or more for their retirement.

But it’s not that simple; the percentage of people who are actually saving 10% is much smaller.

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**So why aren’t they saving more? They told us.**
Savers tell us they put off saving enough for retirement because of other priorities. When debts are due today, people find it hard to prioritize saving for tomorrow. In fact, 20% of savers admit to putting off retirement saving because of competing priorities. Expanding the conversation with savers beyond just retirement helps to manage these competing priorities and clear the road for salient retirement decision-making.

What are those other priorities?

58% of retirement savers have debt beyond car loans and a mortgage, and these working Americans are juggling some weighty financial issues. About half are facing credit card debt, and two in ten have student loan debt. Among those who have debt, 58% say their debt is a problem, including 13% who see their debt as a major problem.

These consumers are understandably focused on what’s right in front of them—getting out of debt and saving for things, in addition to retirement. Things such as saving for a vacation, accruing an emergency fund and putting aside money for home improvements top the list.

A summary of retirement plan participants by age and number of competing priorities

While the number of each participant’s competing priorities may differ, Lincoln believes financial wellness is the common denominator for retirement readiness. With the right tools in hand to address their full financial lives, plan participants can learn skills to address current concerns and focus on retirement. So where do we start?
Establishing retirement goals is nothing new. It’s been a standard element of most defined contribution plan solutions for decades, but what about setting goals for broader financial wellness? Would that help increase positive behaviors in retirement planning? Lincoln’s research indicates that it would.

Setting a financial goal — any financial goal — can have a positive impact on retirement outcomes.

When participants set a specific goal...

...for retirement savings

- Higher deferral rates: +6%
- More likely to be confident about retirement: 7.5x

...for debt reduction

- Higher deferral rates: +3%
- More likely to be confident about retirement: 3.5x


Broader financial wellness can be a powerful catalyst to goal setting.
Savers are giving us concrete evidence that setting goals drives positive results. Financial wellness education may help savers manage competing priorities and set achievable goals.

Our research revealed that consumers are thirsty for more financial knowledge and express a greater interest in learning about a host of broader financial wellness issues. 51% of participants say they’re interested in learning how to budget more effectively, including 38% who have already researched this topic.

40% of retirement plan participants have proactively sought information about selecting the right investments for retirement. The same percentage has looked into being on track with retirement savings.

More than 25% of retirement plan participants have researched eight or more financial issues.

78% of retirement plan participants wish they had a better understanding of the elements of saving for retirement in their workplace retirement plans.

### Most commonly researched financial topics

<table>
<thead>
<tr>
<th>Topic</th>
<th>Yes, researched</th>
<th>No, but interested</th>
</tr>
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<tbody>
<tr>
<td>Choosing investments</td>
<td>40%</td>
<td>19%</td>
</tr>
<tr>
<td>Being on track with savings</td>
<td>40%</td>
<td>19%</td>
</tr>
<tr>
<td>How to budget</td>
<td>38%</td>
<td>13%</td>
</tr>
<tr>
<td>Health Savings Accounts</td>
<td>33%</td>
<td>15%</td>
</tr>
<tr>
<td>Expenses in retirement</td>
<td>32%</td>
<td>20%</td>
</tr>
<tr>
<td>Maximizing Social Security</td>
<td>31%</td>
<td>25%</td>
</tr>
<tr>
<td>Prioritizing financial goals</td>
<td>31%</td>
<td>18%</td>
</tr>
<tr>
<td>Comparing Roth vs. pretax contributions</td>
<td>30%</td>
<td>18%</td>
</tr>
<tr>
<td>Understanding your plan’s tax rules</td>
<td>29%</td>
<td>22%</td>
</tr>
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Financial wellness is the key

In an age of instant information, consumers are telling us they’re hungry for more. They want to understand their current financial state and how to improve it. They know they should be saving more for retirement, but they need tools to prioritize and meet their other financial obligations.

Empower them with the elements of financial wellness, and help them reach retirement readiness.

Managing competing priorities  Setting broader financial goals  Acquiring greater financial acumen

Visit LincolnFinancial.com/RetirementPower to learn more.
We encourage you to share this paper. Watch for more Lincoln thought leadership and wellness offerings that can help empower our customers to take control of their financial lives.

For more information about the results of this survey, click HERE.
About the *Lincoln Retirement Power*® Participant Engagement Study

The 2017 *Lincoln Retirement Power*® Participant Engagement Study is based on a national survey of 2,509 full-time workers ages 21 to 70 who have been contributing to their current employer’s defined contribution retirement plan for at least one year, with data weighted by demographics to mirror the total population. Established in 2010, *Retirement Power* is a platform for research and viewpoints on central issues related to retirement planning. The program seeks to identify forward-thinking ways to help plan sponsors, advisors, intermediaries and participants. As part of the program, Lincoln sponsors both proprietary and third party research, with an emphasis on what drives better retirement outcomes.

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