T. Rowe Price®
INVEST WITH CONFIDENCE

Important Finding
2017 Study

...new findings on conflicting financial objectives, mixed results on achieving them, and other symptoms of financial stress.

Key Finding #2

Financial Priorities

In Retirement Savings and Spending 3, the third of our annual participant surveys, T. Rowe Price examines the attitudes and behaviors of 401(k) plan participants to provide insights for plan sponsors and their advisors. One important finding in the 2017 study shows that participants' multiple, conflicting financial priorities demonstrate the need for financial wellness strategies.

Multiple Priorities

Respondents to our survey, all 401(k) plan participants, showed a surprising number of financial objectives. When prompted with 16 specific objectives, the majority indicated that 14 of them were either "major" or "minor" objectives. Only two were labeled "not an objective" for the majority of respondents—saving to purchase a home and saving to start a business. However, both objectives were high priorities for a significant number of millennials.

Progress and Conflicts

So how are they doing? With so many priorities, it's not surprising that participants report mixed results. What's particularly interesting is that the highest priority objectives aren't the ones with the most progress. Saving for retirement is a major or minor objective for 94% of respondents, yet only 40% report a great deal of progress, and as many as 18% report not very much or practically no progress. Similarly, while 82% of respondents said reducing debt and 88% said saving for emergencies are major or minor objectives, 23% report making little to no progress on debt reduction, and 28% say they've made not very much or practically no progress on emergency savings.

Financial Objectives of 401(k) Plan Participants

Major or Minor Objective	Great Deal of Progress[1]	Financial Objectives of 401(k) Plan Participants
96%	38%	Overall, having financial peace of mind
96%	42%	Maintaining an acceptable quality of life
94%	40%	Saving for retirement through your current 401(k)
90%	37%	Contributing to your health savings account[2]
88%	41%	Managing and budgeting for day-to-day expenses
88%	28%	Saving for emergencies
85%	29%	Managing to a plan for a specific retirement income
85%	32%	Saving for retirement outside your workplace plan
82%	35%	Reducing debt such as college loans, credit cards, etc.[3]
77%	26%	Saving for health care expenses in retirement
75%	26%	Saving for a major future expenditure apart from a primary residence
62%	29%	Saving for college or other educational expenses[4]
61%	22%	Contributing to charities
59%	25%	Leaving money for your heirs
47%	30%	Saving to purchase a primary residence
32%	29%	Saving to start a business

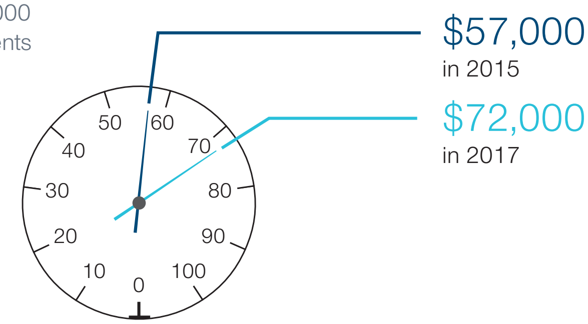
[1]Base: Indicated item as a major or minor objective
[2]Base: Enrolled in a HSA
[3]Base: Have other household or student loan debt
[4]Base: Have children under 18, adult children or grandchildren

Symptoms of Financial Stress

While it's encouraging that most respondents say that having financial peace of mind is a major or minor objective, and 82% report making progress toward that goal, our study uncovered some troubling symptoms of financial stress. Nearly a quarter of respondents (24%) have taken loans or withdrawals from qualified plans and 31% of those with household debt other than first mortgages report that debt to be more than $50,000. Average debt is $72,000, up from $57,000 in 2015. And nearly half indicate that in a financial emergency, they'd turn to credit cards to cover financial needs, presumably because they don't have emergency savings.

Average Household Debt

in $10,000 increments



Prescription for Wellness

Our survey found that some respondents are making greater progress on lower-priority goals. For participants who value financial wellness, some triage might be in order. We believe that achieving financial wellness requires concentrating on the fundamentals—proper budgeting, debt elimination, and emergency savings—in order to have the means to prioritize saving for longer-term goals, such as retirement.

For participants who are experiencing financial stress, eliminating underlying causes of the stress, such as debt or over-spending, can help them build a stronger foundation for long-term wellness. Participants who have a financial foundation may need help to stay on track and make periodic adjustments.

Actions for Sponsors and Advisors

For employers, a workforce free of financial stress is an important goal. The retirement plan—with a strong provider, a robust communications strategy, and powerful tools—is often the best way to address financial wellness. For some plan sponsors, this may mean rethinking how you measure a plan's success. For example, a good measure might be the attendance at a budgeting seminar. A great measure, on the other hand, would be attendance by those with outstanding plan loans. Plan sponsors are encouraged to work with their provider and advisor to align plan's objectives and communication strategies with financial wellness goals.

Financial wellness tools from T. Rowe Price

ASSESS CURRENT FINANCIAL HEALTH

- Confidence Number® score to encourage employees to keep retirement top of mind
- Online resources, including financial planning calculators, videos, and the ability to link external investment accounts

SET MEANINGFUL FINANCIAL GOALS

- Retire With Confidence®, our foundational approach to participant communications designed to drive better outcomes through education on savings goals, likely retirement needs, and investment principles
- SmartDollar®, an optional, fee-based service that combines educational components with clear, progressive steps to help employees manage their personal finances

MAKE REACHING GOALS AUTOMATIC

- DoubleNet Pay, a cash flow management tool that lets employees automatically work toward reaching the financial goals they set through SmartDollar, Retire with Confidence, and other financial wellness tools

For advisors who work directly with individuals, the right prescription is a solid financial foundation based on reducing debt, managing income via sound budgeting, and saving for short- and long-term objectives. Different approaches are needed for different types of clients. The financially healthy need guidance on investment choices and staying on track, while unhealthy need help with financial basics, such as budget prioritizing. Then there are clients who think they're healthy but have hidden ailments, such as excessive debt alongside high account balances or inappropriate investment choices. These concerns can be uncovered as the relationship deepens and the client develops increased trust for the advisor.

About the Study

T. Rowe Price engaged Brightwork Partners to conduct a national study of 3,022 adults aged 18 and older who have never retired and are currently contributing to a 401(k) plan or eligible to contribute and have a balance of at least $1,000. The online survey was conducted from March 3–14, 2017.

For more information on these and other findings from *Retirement Savings and Spending 3*, please contact your T. Rowe Price representative.

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