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Researching Family Balance Sheets to Strengthen
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Building Wealth:

Key Lessons and Implications for Employee Financial Wellness

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Ray Boshara*

Senior Advisor; Director, Center for Household Financial Stability
Federal Reserve Bank of St. Louis | www.stlouisfed.org/hfs

**These are my own views, and not necessarily the views of the Federal Reserve Bank of St. Louis, Federal Reserve System, or the Board of Governors*



Overview of Remarks

Key Message

I. Context: Widespread Financial Instability

II. Three Lessons

1. Assets Matter in Unique Ways, But Asset Policies Have Not Been Inclusive
2. Demographic Factors Increasingly Matter for Building Wealth
3. Liquidity and Balance Sheet Diversification Matter for Building Wealth

III. Implications for Employee Financial Wellness

IV. Moving Forward

Financial Instability is Widespread



“Financial stressors are not only negatively impacting employees, but are costing employers. Stressed employees are found to be less productive, take time off from work to deal with their finances, and are more likely to cite health issues caused by financial stress. These findings are concerning and potentially significant for companies looking to evaluate the return on investment of a financial wellness program.” – PwC Employee Financial Wellness Survey, 2017

- 57% of Americans are challenged to achieve “financial health” (CFSI, 2015)
- 70% of households are “income-constrained, savings limited, and/or debt-challenged” (Pew, 2015)
- An unexpected expense of \$400 would prompt nearly half of all families to borrow funds, sell something, or simply not pay (Federal Reserve, 2015-2017)
- Families experience volatility five months per year; 42% of families struggle to meet monthly expenses, due in part to growing income and expense volatility (U.S. Financial Diaries, 2016; PwC, 2017)
- Nearly two-thirds of Americans see money as a “very” or “somewhat” significant source of stress. (APA, 2015)
- Workers spend about 13 hours/month worrying about finances at work (Mercer, 2017)



1. Assets Matter in Unique Ways, But Asset Policies Have Not Been Inclusive



- Assets matter for economic security and upward economic mobility in ways income does not.
- Holding assets is associated with distinct social, psychological, emotional, child well-being, health, and civic outcomes.
- The U.S. has a long history of promoting property ownership, but many families have been and remain excluded from these policies, contributing to wealth inequality.



2. Demographic Factors Increasingly Matter For Building Wealth

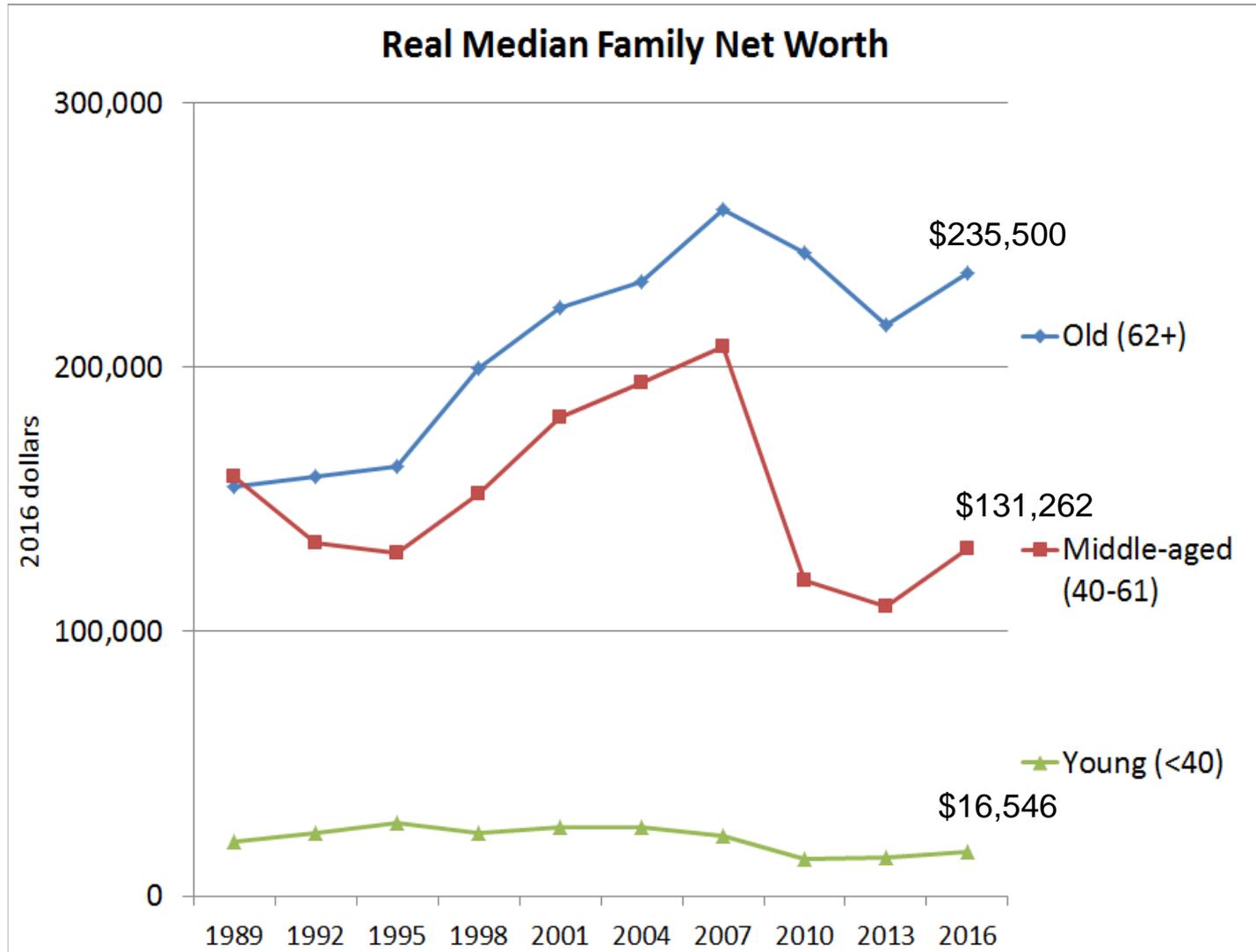
Federal Reserve Data:

- Age / Birth Year
- Education
- Race & Ethnicity

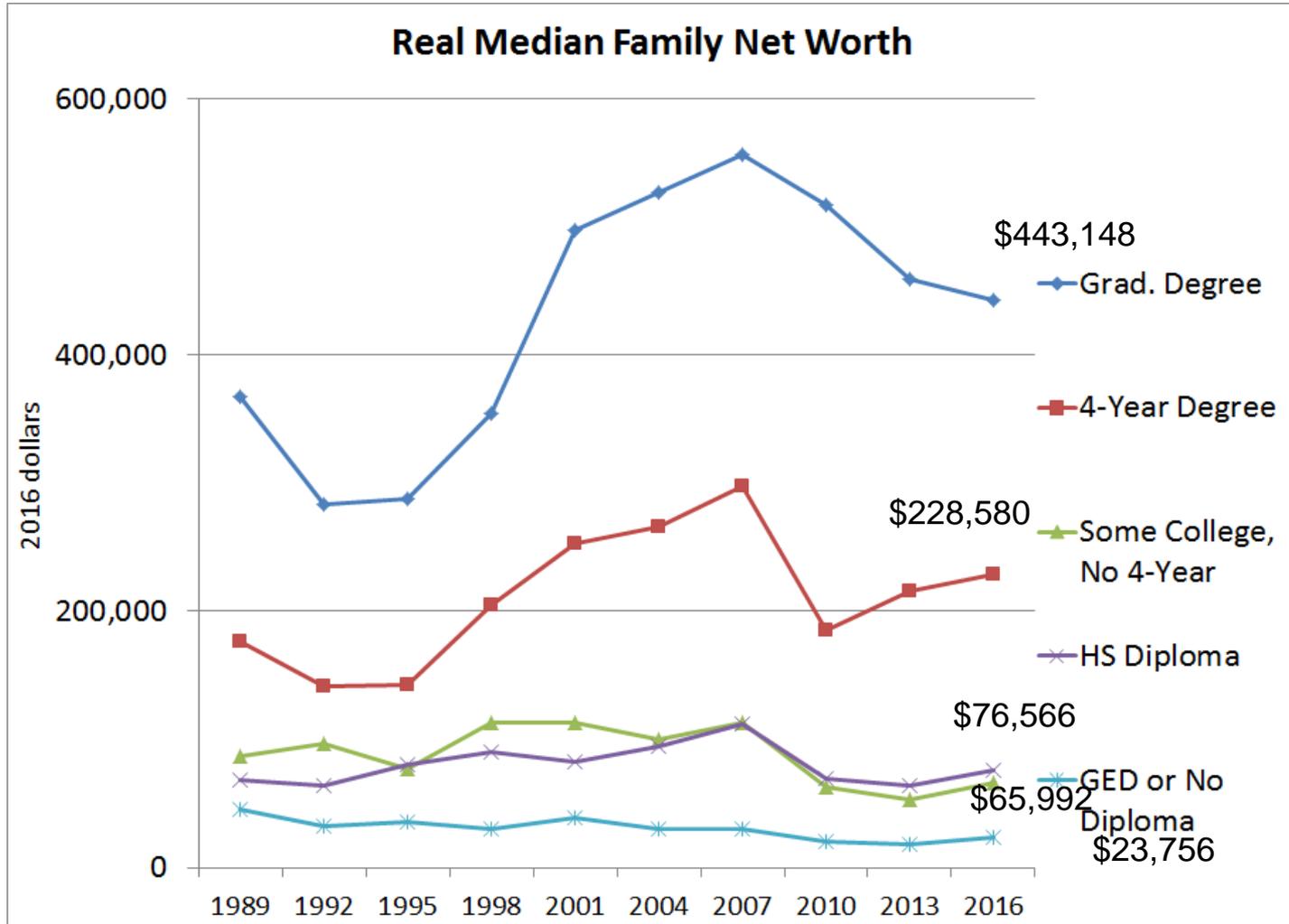
Other Data:

- Gender
- Family Structure

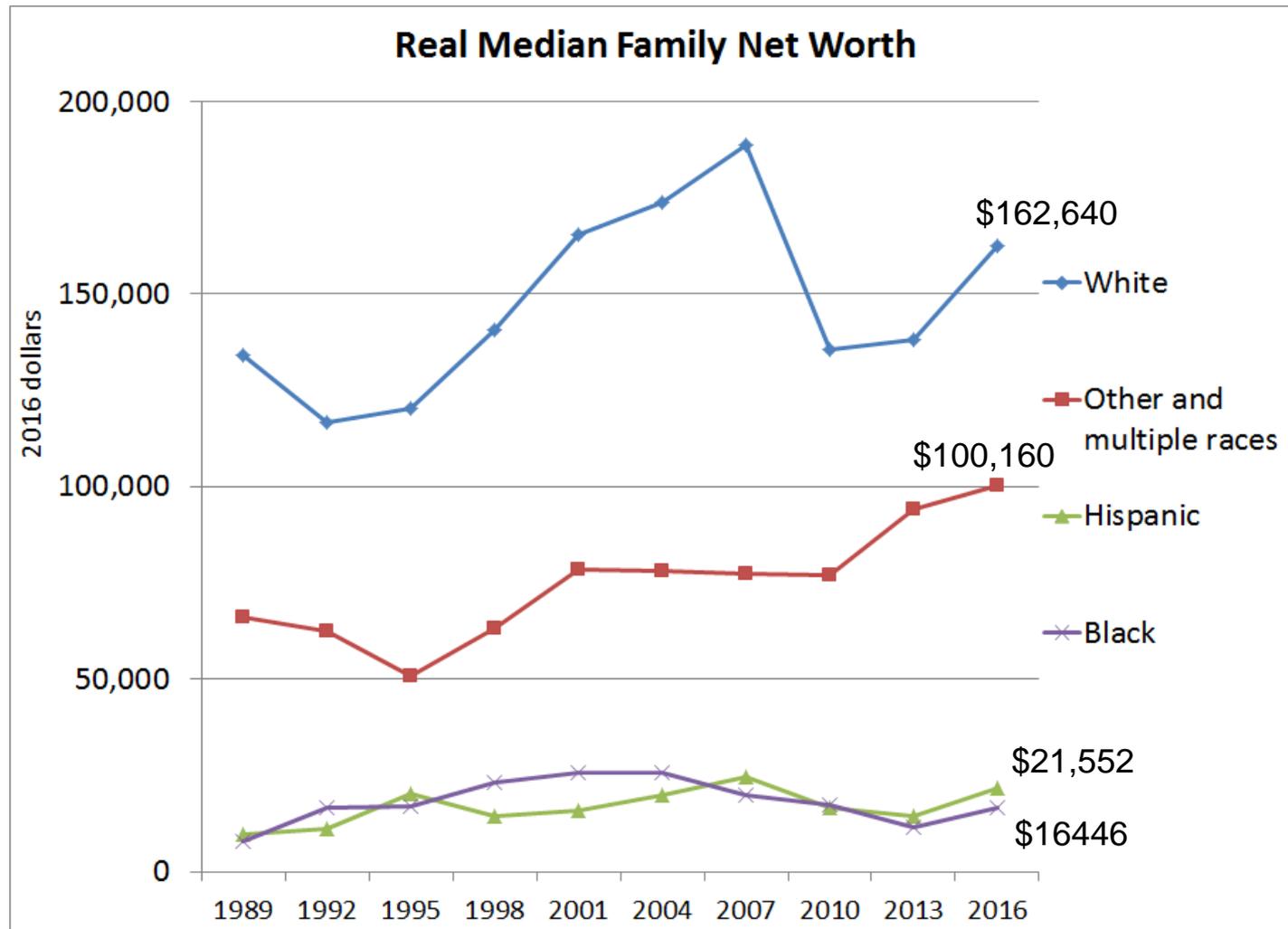
Age / Birth Year



Education

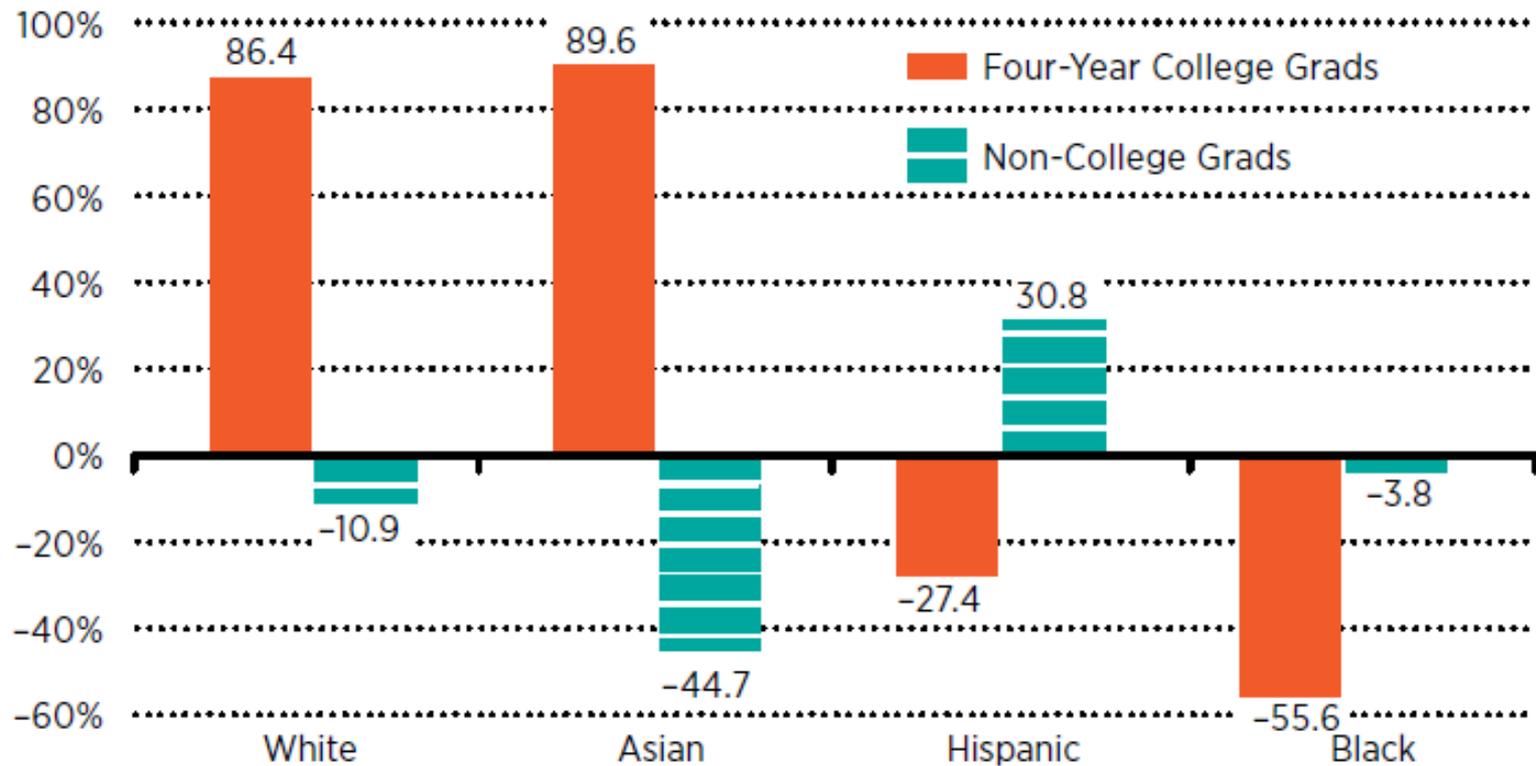


Race & Ethnicity



Race & Ethnicity + Education

Change in Median Real Net Worth between 1992 and 2013



SOURCE: Survey of Consumer Finances.

See Emmons and Noeth (2015).



3. Liquidity and Diversification Matter for Financial Stability and Building Wealth



- The balance sheets of struggling families share three characteristics:
 1. Too much wealth in homeownership
 2. Too much debt
 3. Too little savings/liquidity
- When a negative family event occurs, asset-poor families are 2-3 times more likely to experience material hardship than non-asset-poor families (Urban Institute, 2009).
- Of all the factors examined, disparities in financial well-being are greatest between subgroups that have different levels of liquid savings (CFPB, 2017)



Implications for Employee Financial Wellness

1. To the extent possible, consider an employee's balance sheet into your assessments of her or his financial well-being.
2. When targeting your employee financial wellness efforts:
 - Consider student loan assistance for younger workers and parents of college students.
 - Do not assume that minority employees with high incomes and college or advance degrees are not struggling financially.
 - Consider developing life-long learning and regular skills-upgrading for all of your employees.
3. Addressing short-term liquidity needs (though emergency savings, “side-car” savings attached to retirement savings, short-term loans, etc.) may be the most important intervention to help employees build wealth and achieve financial stability.

Moving Forward: Change the Context to Change Behavior

