



The Power of Advice: Financial Planning for the public sector

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Agenda

- Our study- Empowering America's Financial Journey
- Study findings
- Supporting Government employees throughout their financial journey
- Key takeaways and Resources to help you stay ahead
- Q&A

Committed to serving the government sector



2022



2023



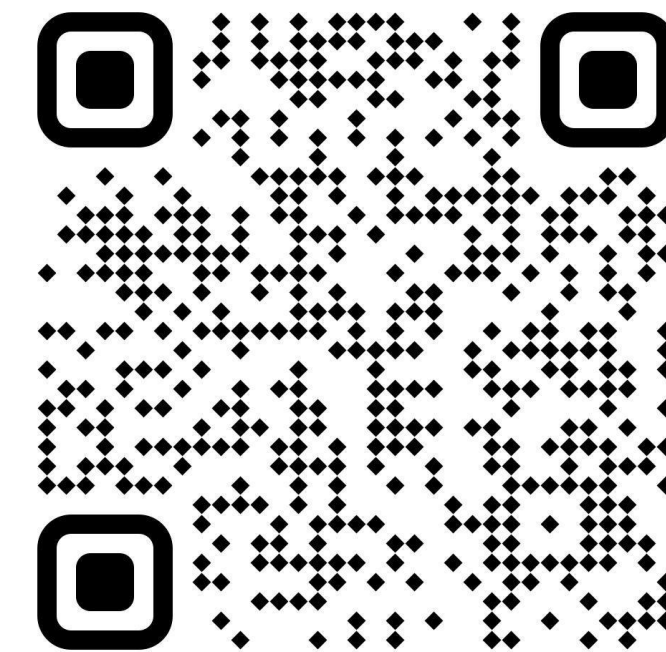
2024

Empowering America's Financial Journey– Government Sector

About the study

- Comprehensive view of public DC plans, including 403(b), 457, 401(a), and 401(k) plans, which are available to different public employee segments.
- The study analyzes the behavior of approximately 1.9 million active participants in state and local defined contribution (DC) plans with Empower as the recordkeeper.
- The study is structured across three key themes:
 - Saving and engagement
 - Public sector segment analysis
 - Improving outcomes

Data as of 12/31/23



Public sector segment analysis

Segments



To best illustrate how different public sector workers' retirement behavior, readiness, and planning vary, our analysis of the public sector includes 10 segments:

- City
- County
- Hospital/healthcare
- K-12
- Public safety
- Public utilities
- State
- Transportation
- Water authority
- Other (*plans not falling into listed categories*)

Segment differentiators

Gender distribution

Savings rates

Loan usage

Engagement

Investment strategy

Financial strains carrying over from prior year

Financial stressors abound



Inflation and rising interest rates

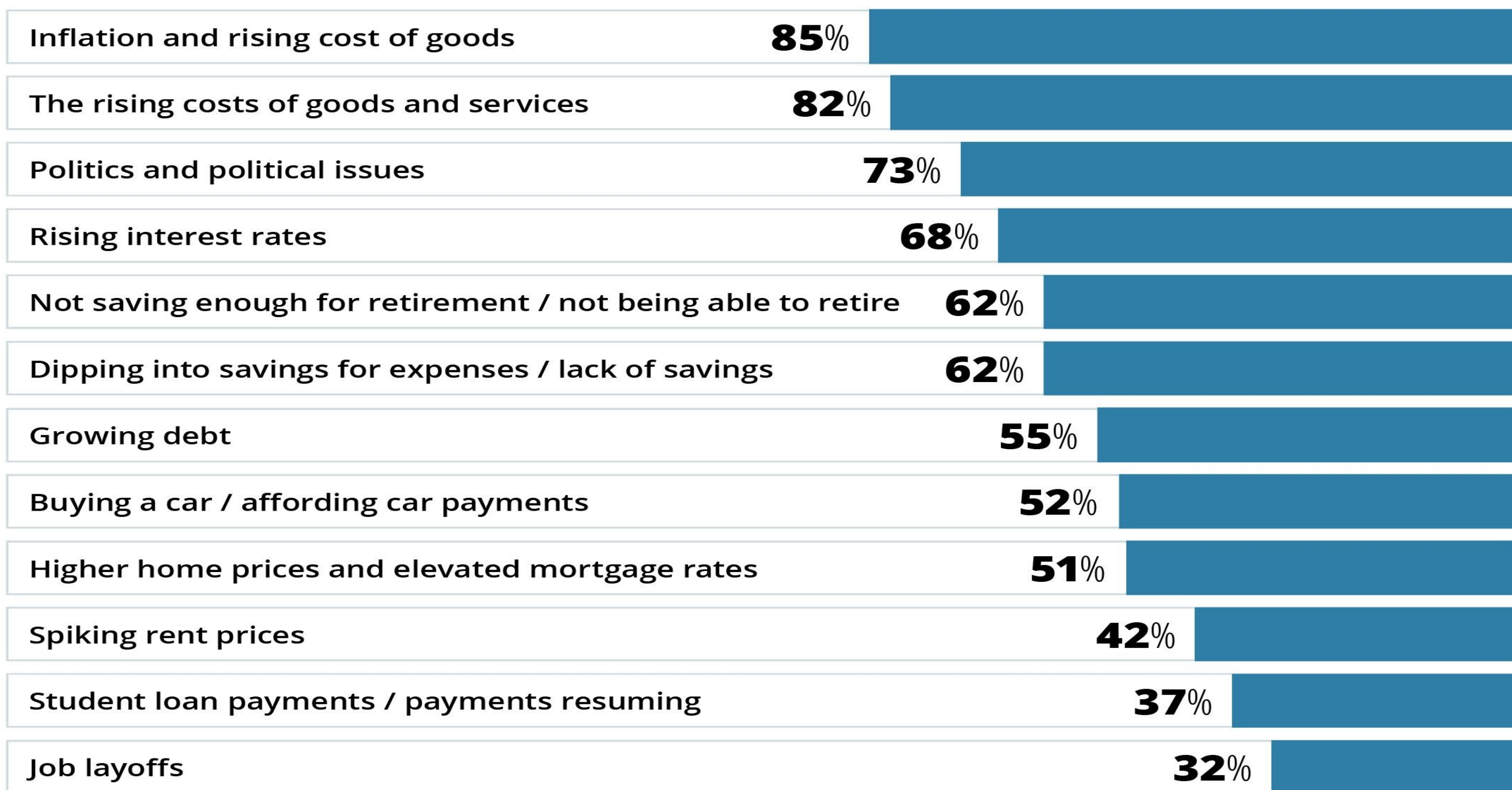


Higher costs and spending



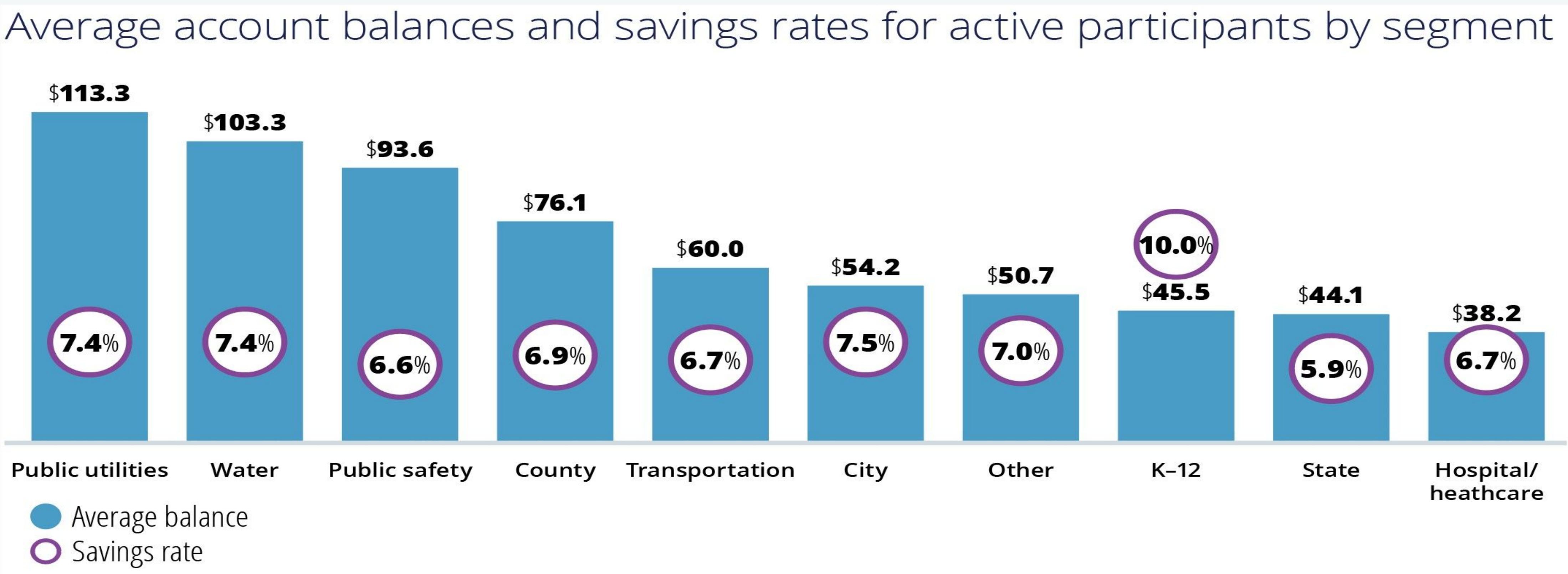
Ability to save enough

Factors contributing to financial stress for government employees



Empower, Financial Happiness, 2023.

Balances and savings rates vary widely



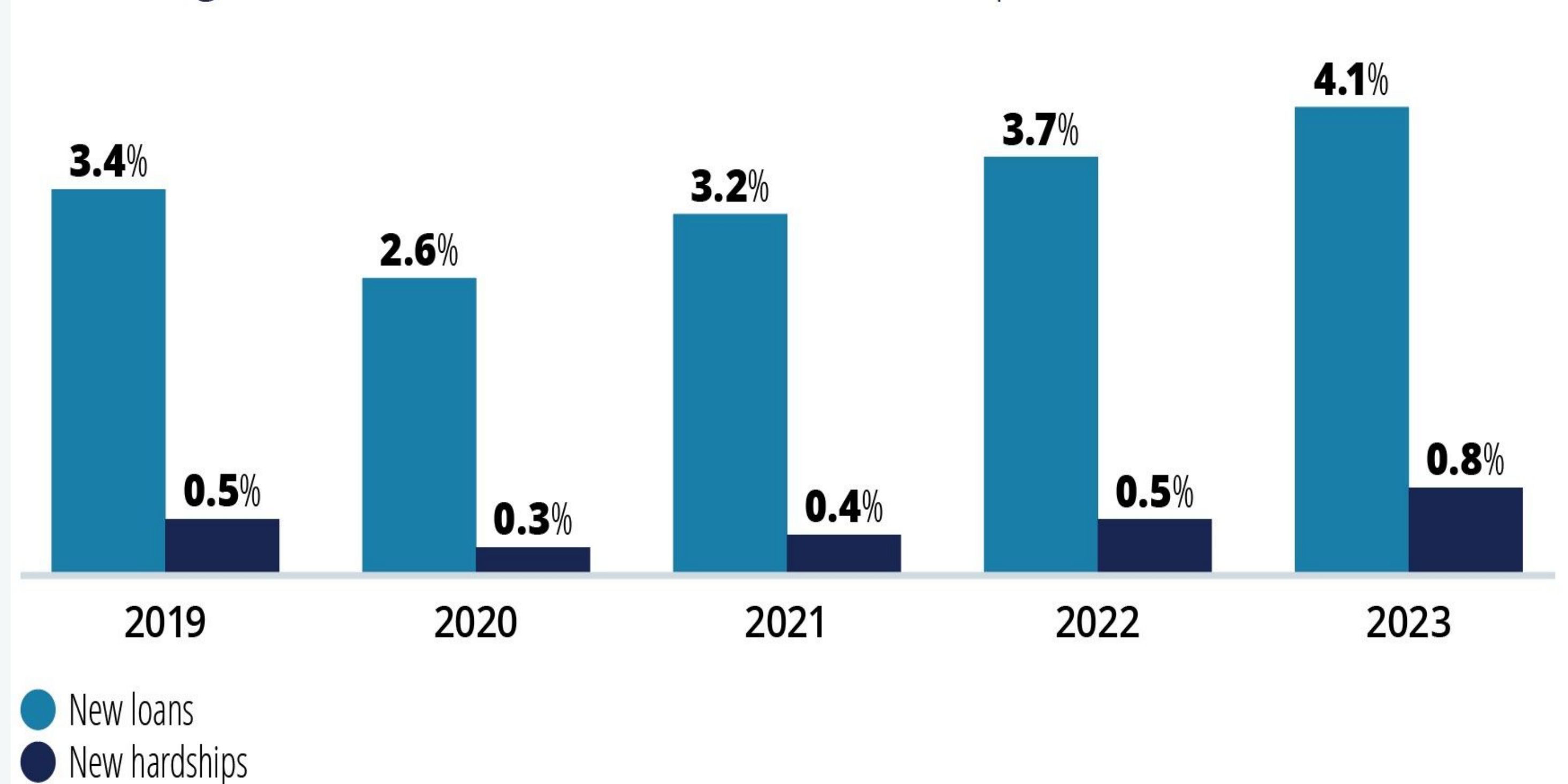
Loans and hardships are rising

Trending up: Proportion of public sector employees taking new loans and hardship withdrawals have been increasing.

Half of private sector: 7% of public sector employees have an outstanding loan (less than half compared to the private sector).

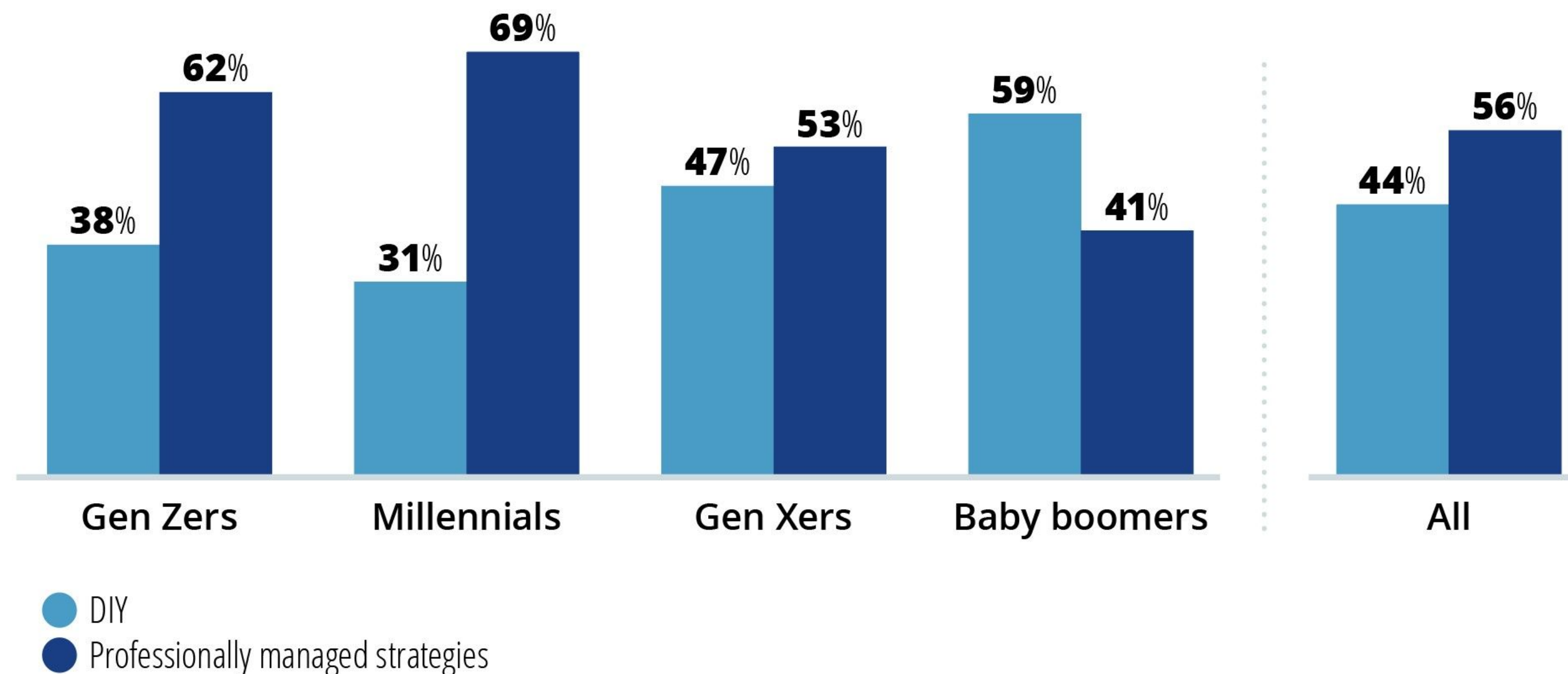
Multiple loans: 31% of public sector employees with a loan have more than one outstanding.

Percentage of savers with new loans and hardship withdrawals



Professionally managed strategies are used by more than half of public sector savers

Investment strategy by generation



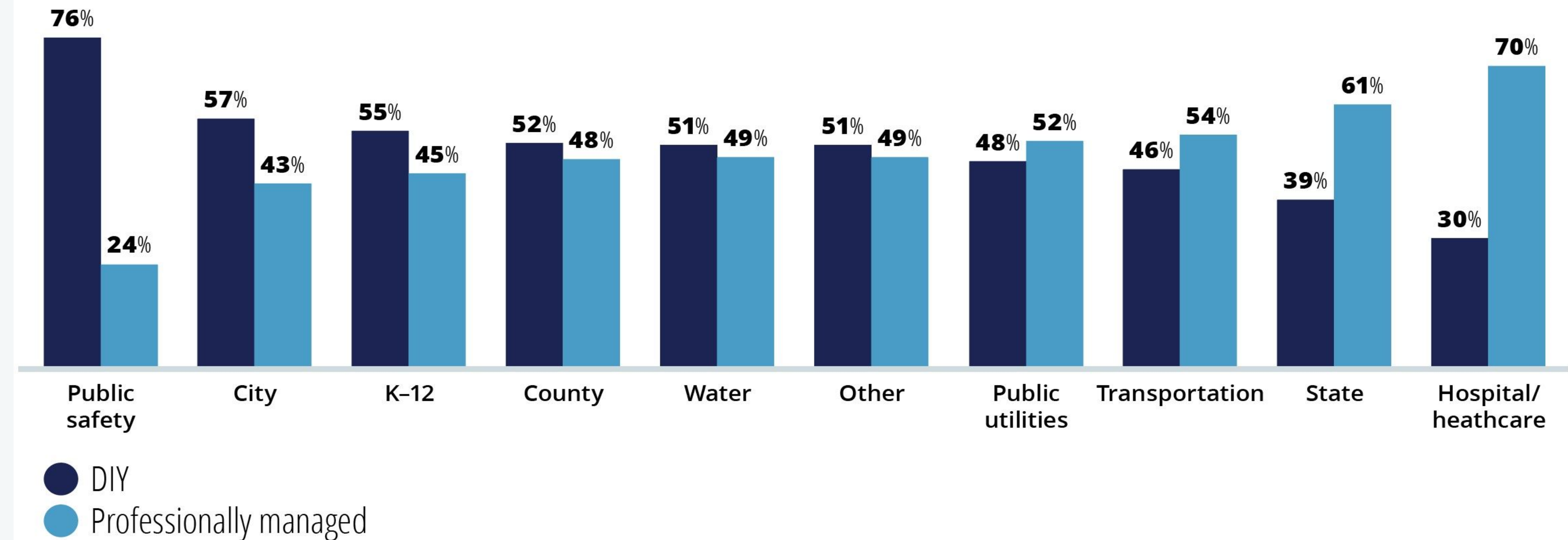
Professionally managed strategies include managed accounts and target date funds (TDFs).

Managed account versus TDF users

- Save 28% more
- Are more engaged (69% vs. 48%)

Most segments split relatively evenly between investment strategies

Investment strategies by segment



Improving outcomes



Savings rates rise with type of interaction

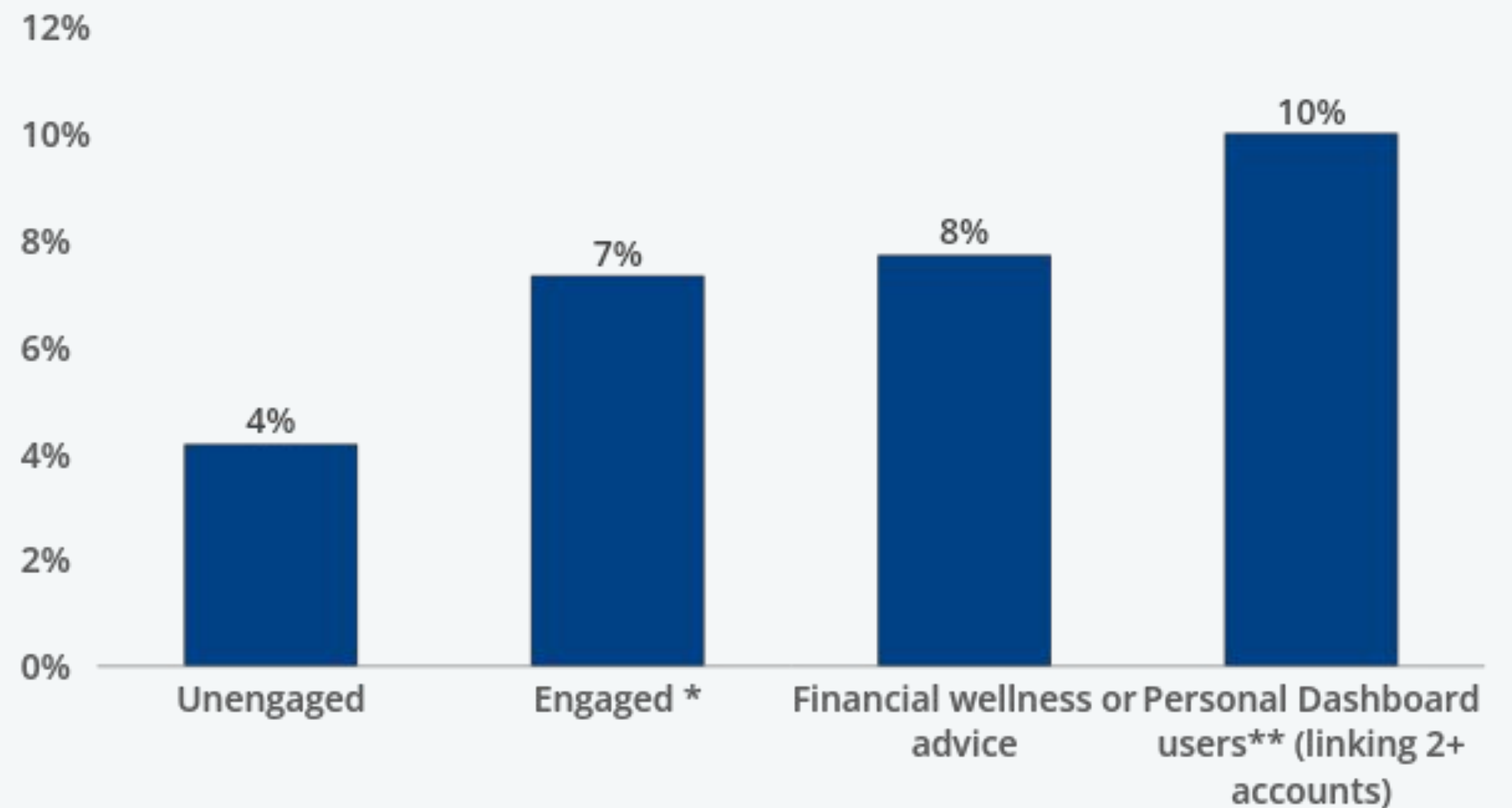


Type of interaction helps drive outcomes



Linking accounts helps savers obtain a more comprehensive view of financial situation and make more informed decisions

Average savings rates by type of interaction



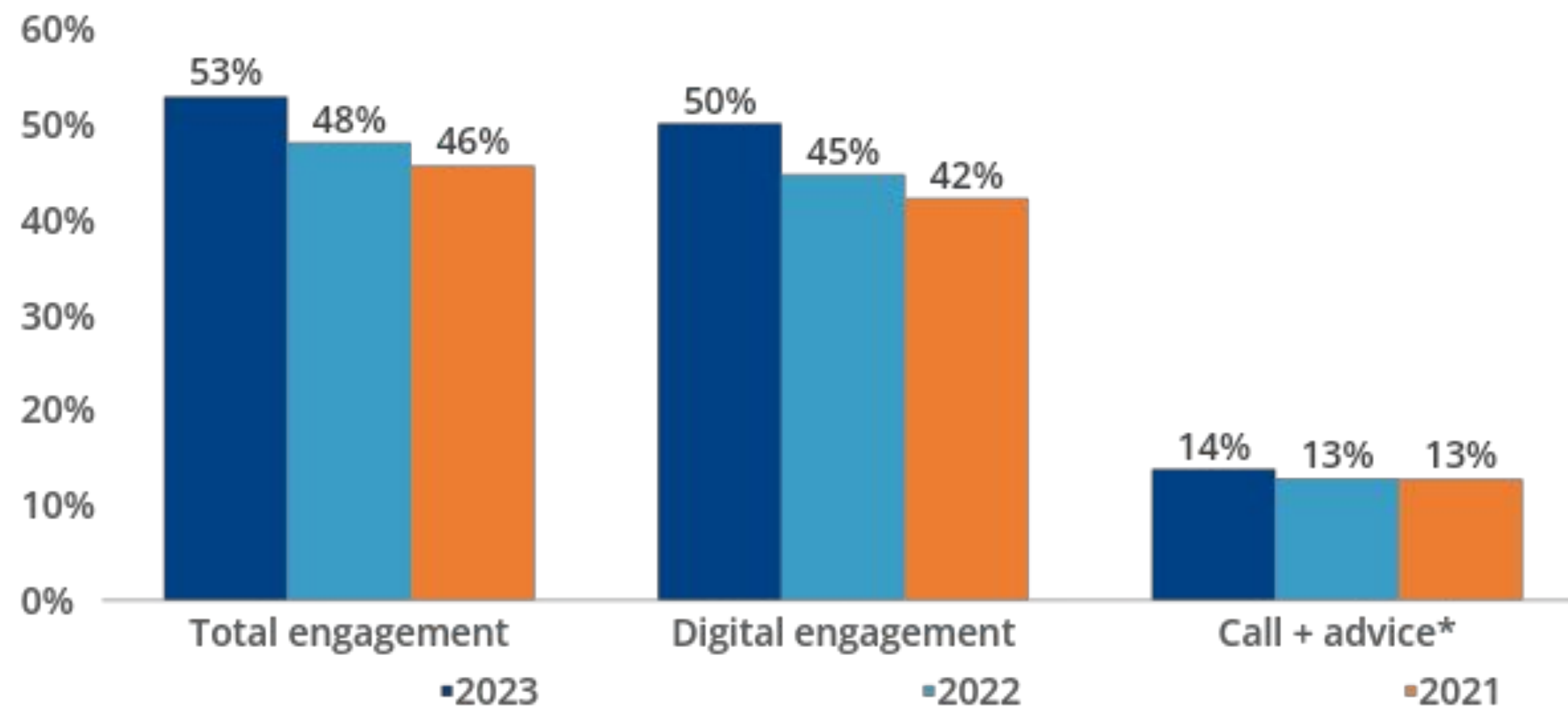
* We define and measure engagement as at least one interaction with Empower's workplace savings site, mobile apps, Customer Care Center, or advisory services.

** Personal dashboard users also includes participants using financial wellness or advice.

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Engagement is up over the past 2 years

Public sector savers' engagement rates by channel



Engaged participants have savings rates 79% higher than unengaged participants.

Big divide across segments: 30% engagement difference between highest and lowest segment engagement rates

*Advice interactions include Empower Retirement Solutions Group and retirement plan advisors serviced by registered investment adviser representatives.

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A desire for advice



49% of surveyed public sector employees wish they had gotten advice earlier.



34% feel like they haven't gotten the financial advice they need.

76% of public sector employees believe their employer has a responsibility to provide options to help them reach their financial goals.



**Supporting Government employees
throughout their financial journey**

People may be looking for financial direction in all the wrong places



73%

would be attracted to another
employer that cares more
about financial wellness¹

4 in 10

don't know where to go for
financial planning advice²

47%

earning \$100K+ salary are
stressed about finances¹

NEARLY

1/2

say debt is negatively
impacting their ability to
save for retirement²

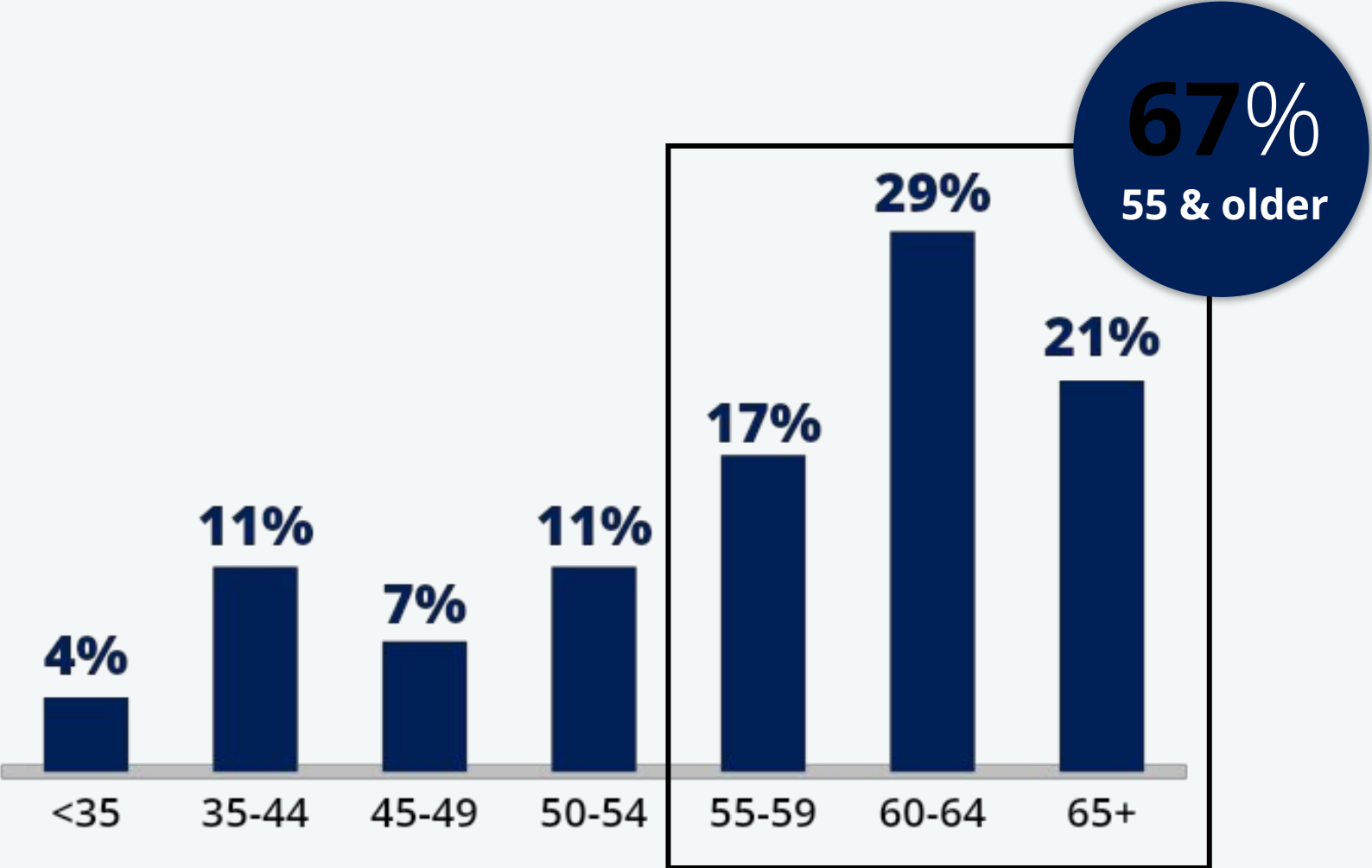
**Are you and your employees getting
the MOST out of your plan?**

¹ 2023 Employee Financial Wellness Survey, PwC.

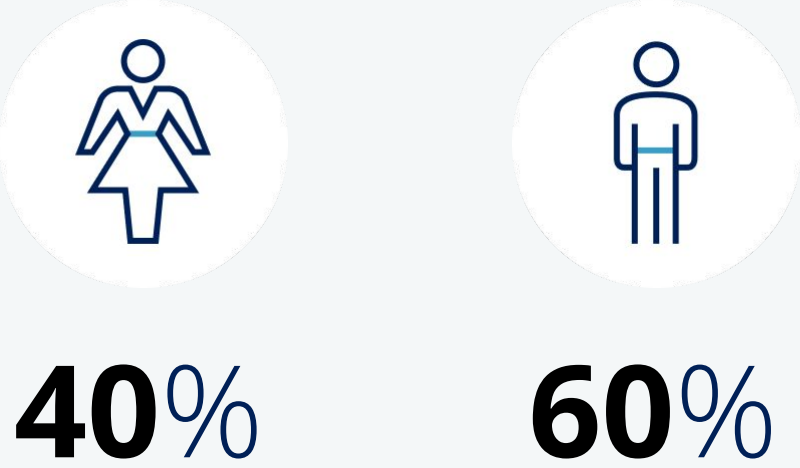
² 2023 Retirement Confidence Survey, EBRI.

Who is using financial planning

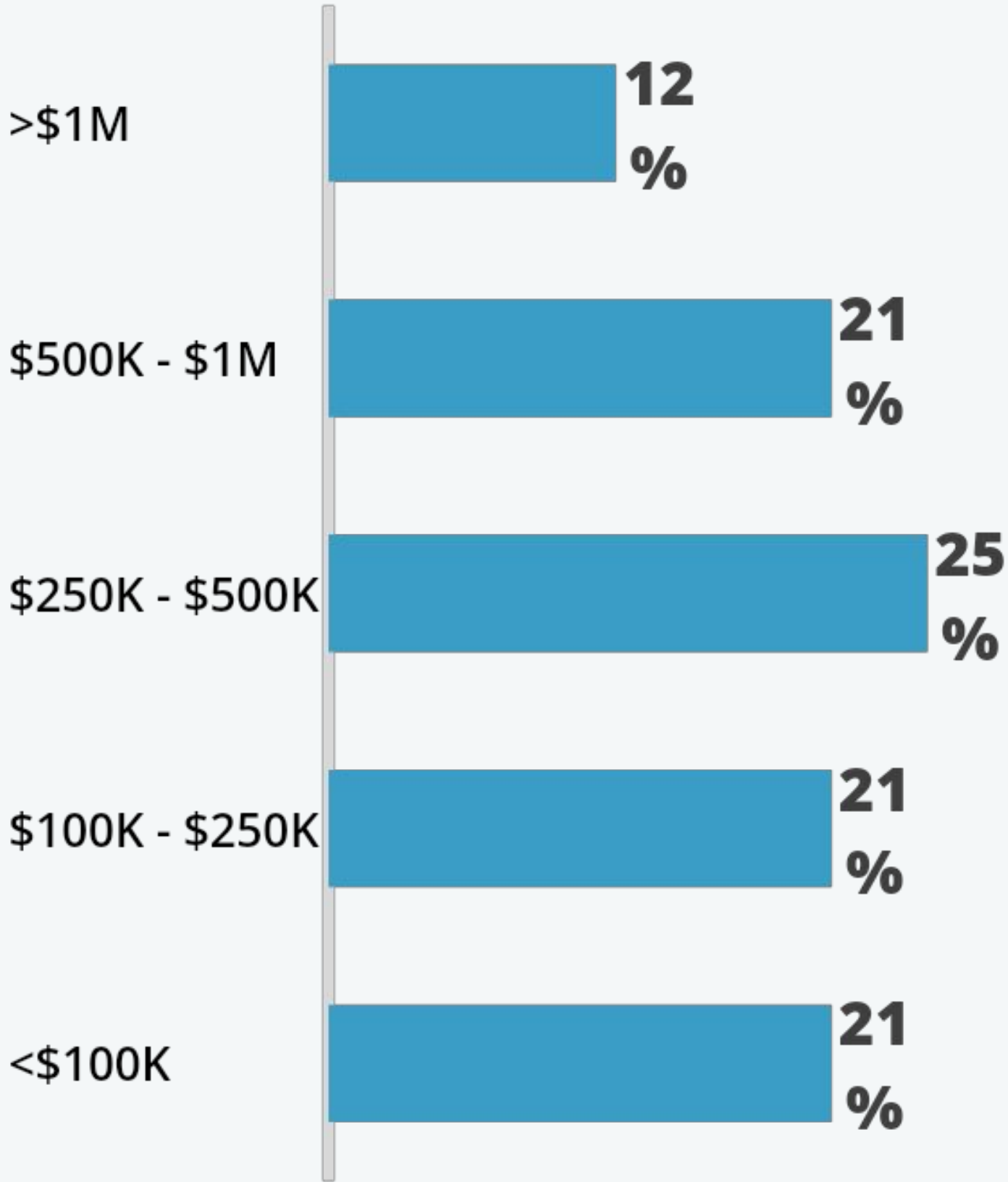
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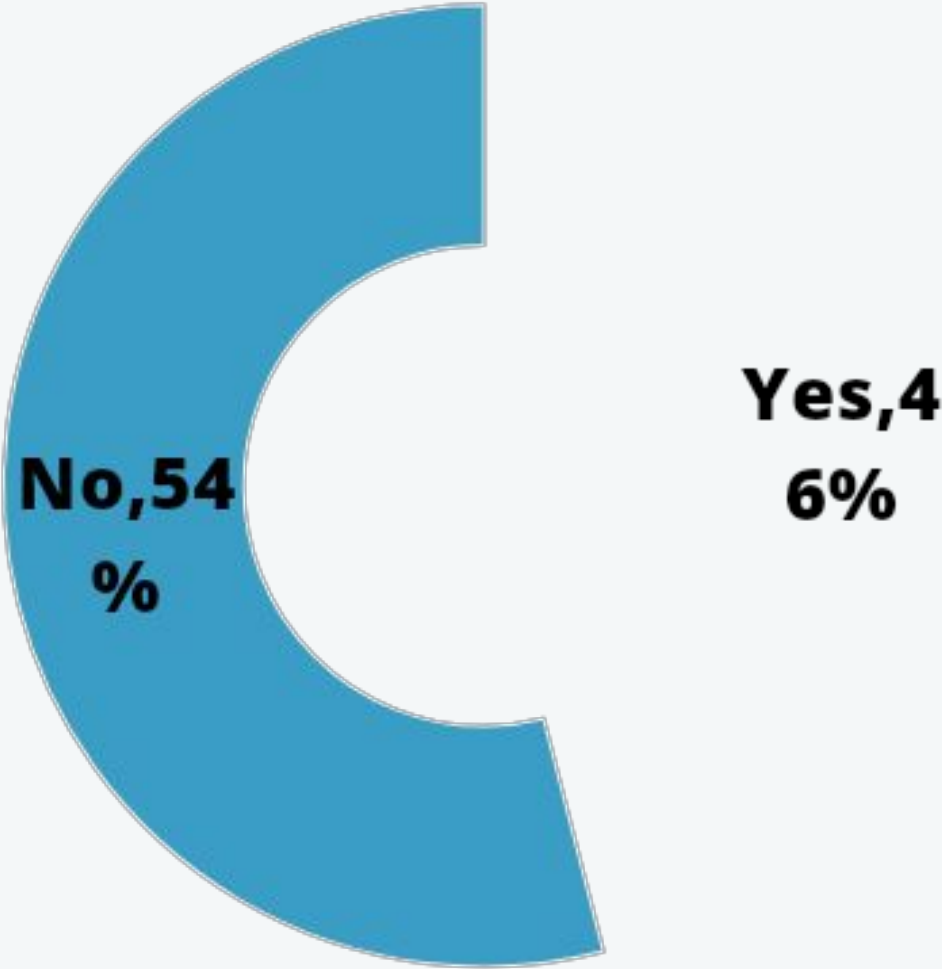
GENDER



CUSTOMER BALANCES

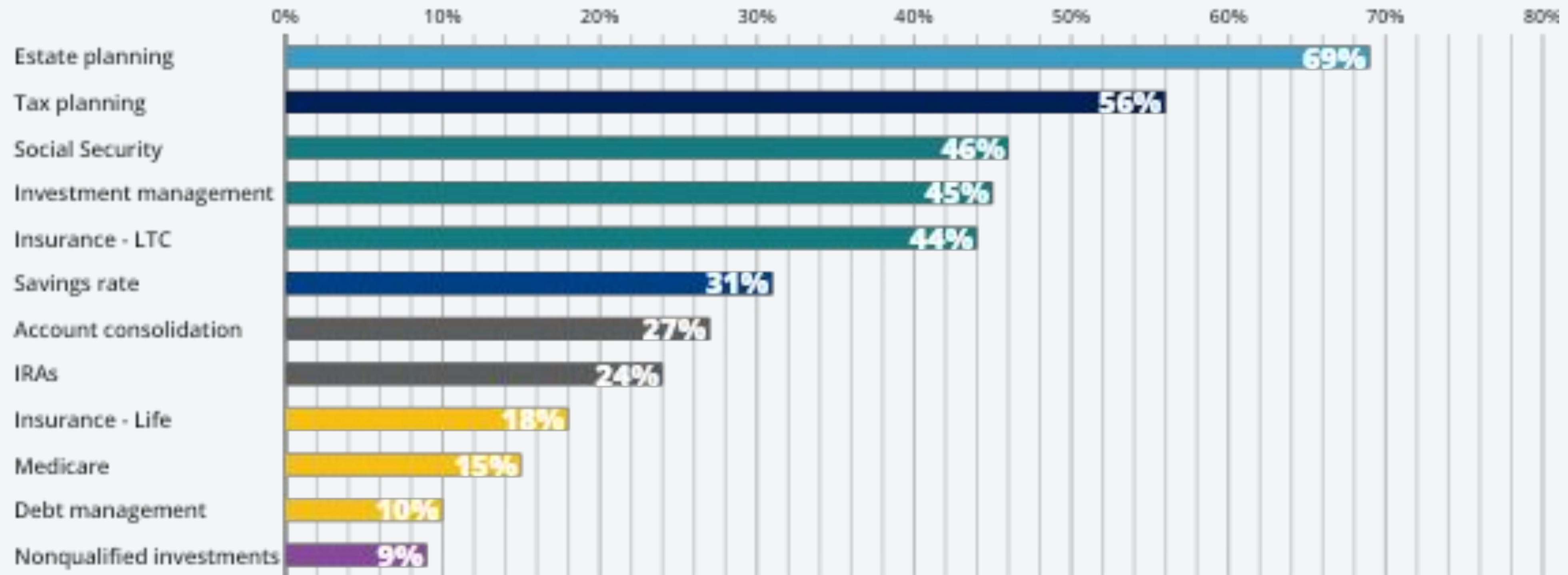


MANAGED ACCOUNT CUSTOMERS



Engagement focus shifts to the end zone

Financial planning recommendations¹



¹ Empower Retirement, LLC data, financial wellness team analytics, January to June 2021.

Social Security Fairness Act

- On January 5, 2025, President Biden signed into law the “Social Security Fairness Act” (H.R. 82), which repeals both the WEP and GPO.
- The Act applies to monthly insurance benefits payable under title II of the Social Security Act for months after December 31, 2023.
- The Social Security Administration has indicated it will be rolling out guidance on the law and the process for recalculation of benefits.

Planning can help everyone save smarter

Most people find a comprehensive financial planning service to be interesting, useful, and compelling¹

 **88%** want help creating a personalized plan¹

 **95%** financial planning consultation rated from Good to Excellent²

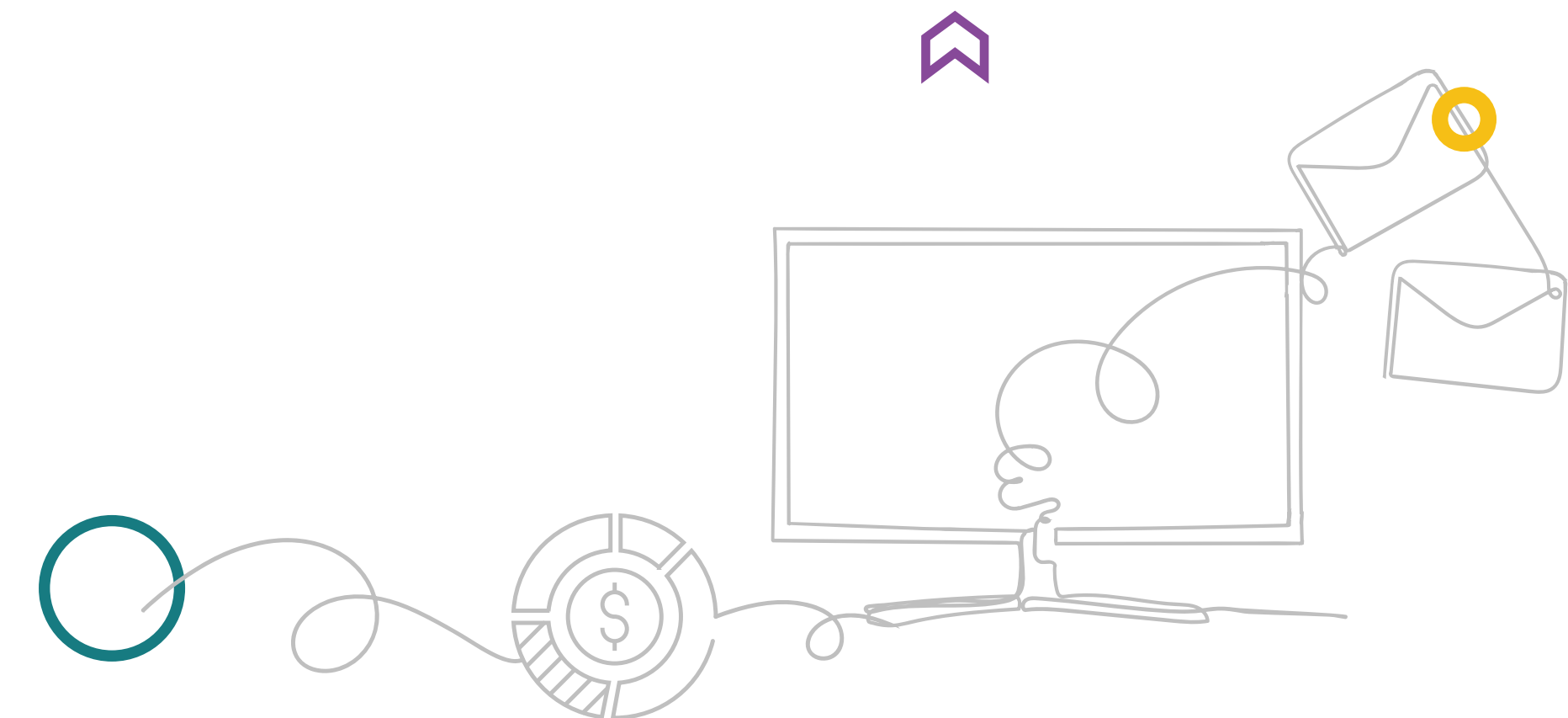
 **22%** roll in money to the plan as a result²

 **49%** increase savings strategies²

Planning has benefits for lower-income earners

10%
lower-income households
without a plan are saving
10%+³

33%
of lower-income
households **with a plan**
are saving 10%+³



1 Empowering America's Financial Journey™, 2023.

2 Empower data as of October 31, 2023.

3 Heartsandwallets.com, "The Power of Planning: Proven Benefits That Transform Consumer Financial Outcomes" research report, 2022. Lower income households defined as less than \$48,000 in annual income.



Key takeaways for your employer sponsored retirement plan offering

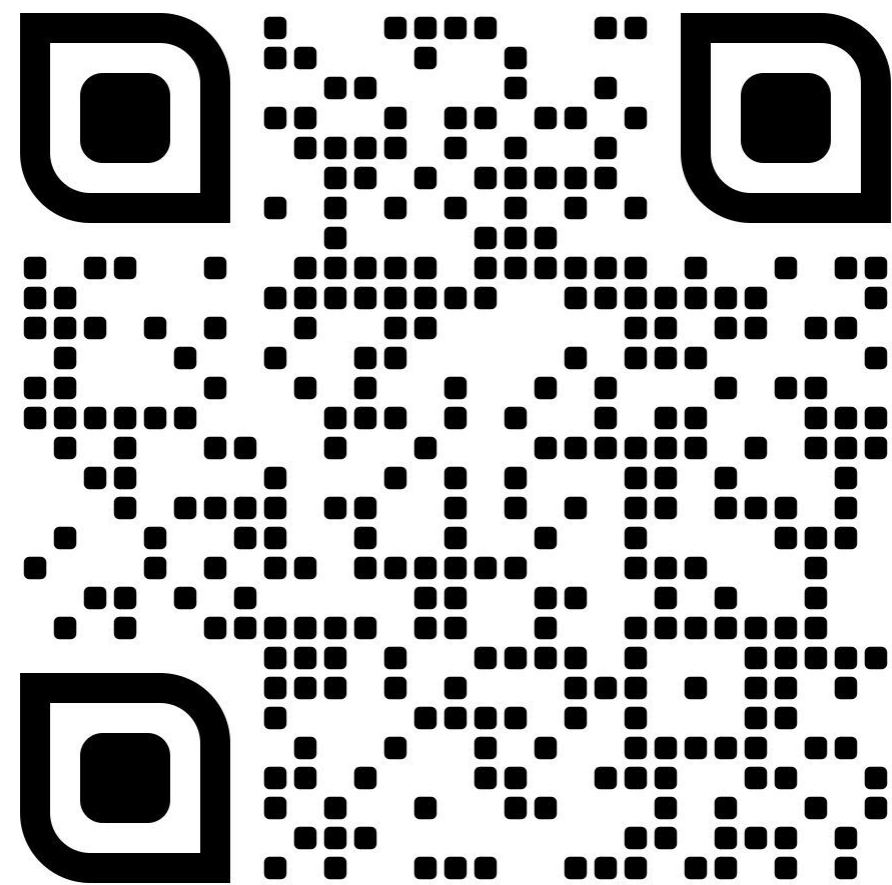
Key takeaways

- ✓ Acknowledge and address employee financial anxiety
- ✓ Consider offering advice and support to employees to access on their own terms
- ✓ Go through the experience firsthand to ensure you understand the services available
- ✓ Review utilization of financial wellness resources by demographics and explore ways to promote adoption with your provider

Questions?

Schedule an introductory telephone call for more information
on the complimentary comprehensive financial plan:

cccma.empowermytime.com



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