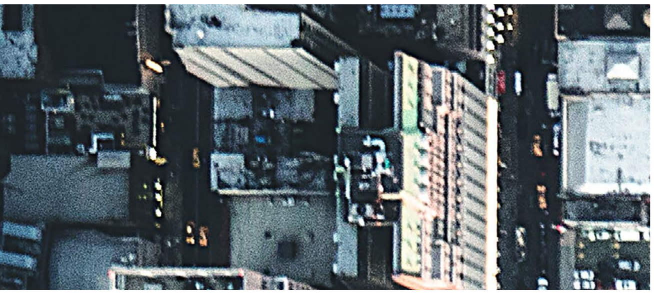
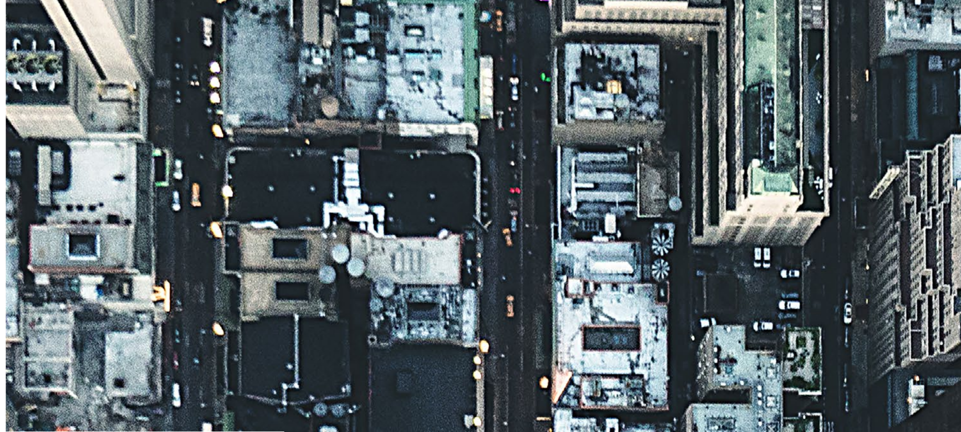
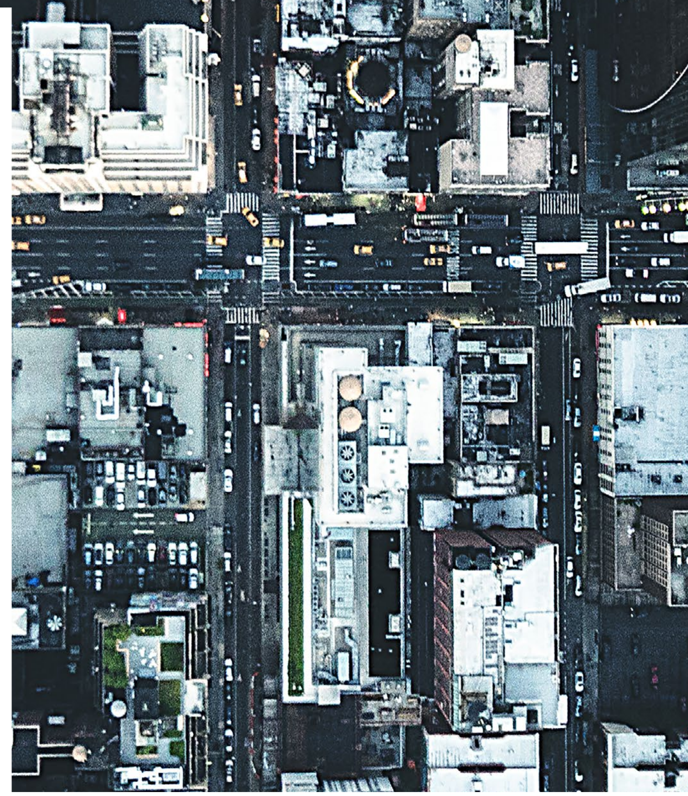
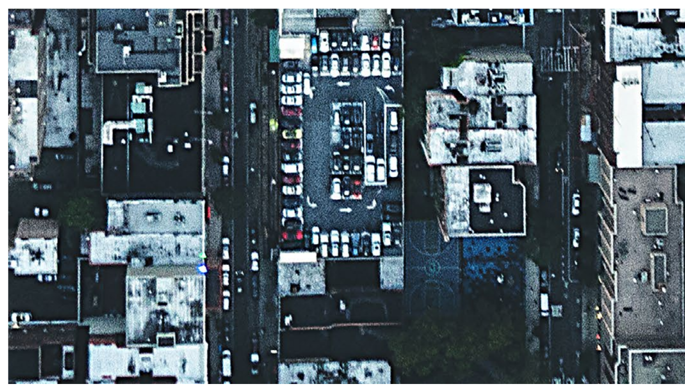



PwC's 9th annual

Employee Financial Wellness Survey

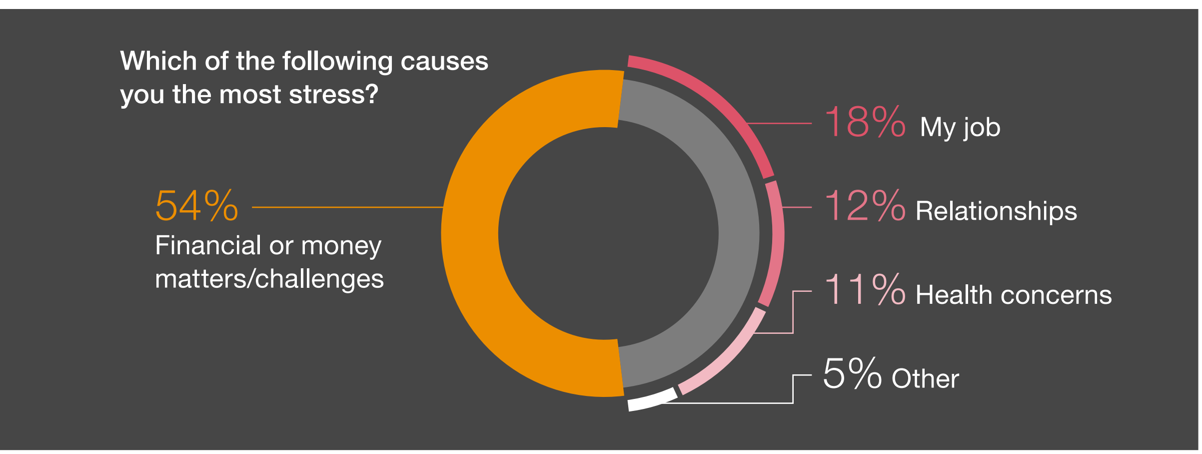
2020 COVID-19 Update

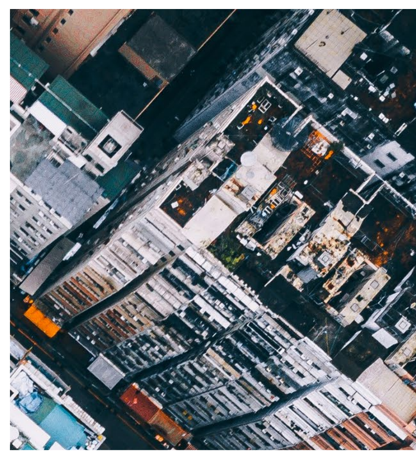



May 2020

As we share results of our ninth annual survey tracking the financial well-being of full-time employed U.S. adults, we are in the midst of an unprecedented global health crisis. COVID-19 is not only challenging the way we live on a daily basis, but also posing significant short and long-term economic threats that could have a lasting effect on personal financial well-being.

Typically, we highlight a wide range of key results and trends. However, in light of the current situation, we have decided to focus on the findings we believe are most relevant to helping employers understand the potential impact of COVID-19 on their employees' financial well-being. In doing so, we are also providing suggestions on how organizations may better guide and support their employees through important financial decisions as they attempt to navigate this stressful period of uncertainty. As with any survey, the results are from a point in time, in this case just prior to the sharp rise in U.S. COVID-19 cases. While the findings are meant to be directional in nature, it is our belief that areas of concern back in January will only be more pronounced today. Our observations and suggestions reflect the realities of the changing employee circumstances we are observing.





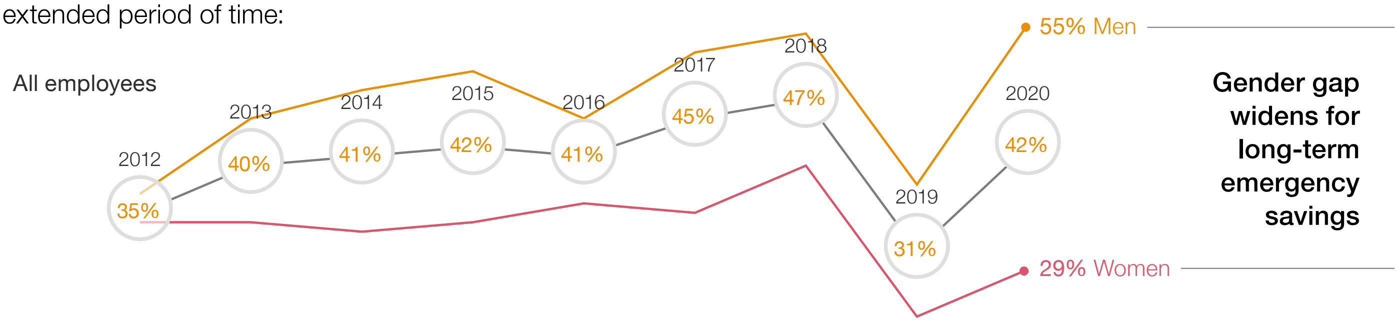
Employees are unprepared for an extended economic downturn or recession

As we write this, we are seeing a record number of unemployment claims with many more likely to follow. With little or no time to prepare for the financial challenges wrought by this crisis, Americans anxiously await some relief from the recently-passed $2 trillion Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Our survey results show that many employees were already in a fragile financial state, lacking the ability to absorb even a minor shock. In fact, more than one-third of full-time employed Millennials, Gen Xers, and Baby Boomers, have less than $1,000 saved to deal with unexpected expenses. Women are at even greater risk; only half as many women as compared to men are able to meet basic expenses if out of work for an extended period. Should these full-time employees lose their jobs, contend with reduced hours, or experience a job loss in their household, they would likely endure great hardship. While the CARES Act may help some through an immediate cash crunch, without further assistance, a large percentage of those who experience job or wage loss are not likely to withstand an extended downturn or recession given that many were already living paycheck-to-paycheck with little in cash reserves.

Employees who have less than $1,000 saved to deal with unexpected expenses:

Gen Z	62%
Millennials	37%
Gen X	34%
Baby Boomers	37%

Employees who would be able to meet their basic expenses if they were out of work for an extended period of time:



	2013	2014	2015	2016	2017	2018	2019	2020
Gen Z								30%
Millennials	35%	38%	39%	38%	52%	50%	24%	▲ 41%
Gen X	41%	33%	36%	41%	38%	41%	33%	▲ 46%
Baby Boomers	40%	50%	52%	43%	48%	53%	41%	42%

Cash and debt intervention is essential in the short-term

Among the most pressing questions from employees dealing with the stress of financial uncertainty is how they'll pay their bills and meet their essential financial obligations. Employers should initially focus on helping employees through the immediate aspects of the crisis with the least amount of financial damage. It's particularly critical that employees understand available assistance and resources related to monthly spending and income. Through the CARES Act, a recovery rebate of $1,200 for individual filers or $2,400 for joint filers, and $500 per eligible child, is available, subject to income limitations. For the majority of U.S. taxpayers, no action is required on their part to receive a rebate check, although employees tend to have questions regarding timing, amount, and eligibility for the rebate checks. For homeowners and renters living in properties with federally-backed mortgages, the CARES Act includes mortgage forbearance and renter protection, a foreclosure moratorium, eviction protection, and changes to credit reporting requirements.

Beyond the CARES act, employees are seeking guidance more broadly on how to prioritize their spending, which bills to pay, and how to handle creditors. Employers have a unique opportunity here to help employees avoid making poor short-term financial decisions at the expense of their overall financial wellness. They can support employees with educational content and coaching to walk them through a systematic approach to identifying possible relief or flexible payment terms from creditors (e.g., utility providers waiving late fees and not suspending service, credit card companies offering some form of payment relief, insurance providers that have paused policy cancellations due to nonpayment, etc.).

Student loans are a critical issue for many, even in more peaceful financial times. Our survey results find that 40% of Millennial employees have a student loan and nearly three-quarters of them say that student loans have a moderate or significant impact on their ability to meet other financial goals. To help ease the burden, the interest rate on federal student loans is lowered to 0% until the end of September and federal loans are automatically being placed in administrative forbearance, allowing people to temporarily stop making monthly loan payments. In addition, debt collection via garnishment of wages, tax refunds, or Social Security benefits is also paused through September. Now is the time for employees to revisit debt pay-down plans and carefully examine their personal situation. For some it will make sense to take advantage of federal student loan relief. For others who can still afford to make payments, this actually could be a chance to save as they may want to use the savings on interest to have more of their payment applied to principal, reducing the cost and shortening the term of their loan. Others may want to opt out of the forbearance if they can afford to do so and restart payments to achieve the same benefit.

40% of Millennial employees have a student loan(s) and 74% of them say that their student loans have a moderate or significant impact on their ability to meet their other financial goals.

How much of an impact are student loans having on your ability to meet your other financial goals?*

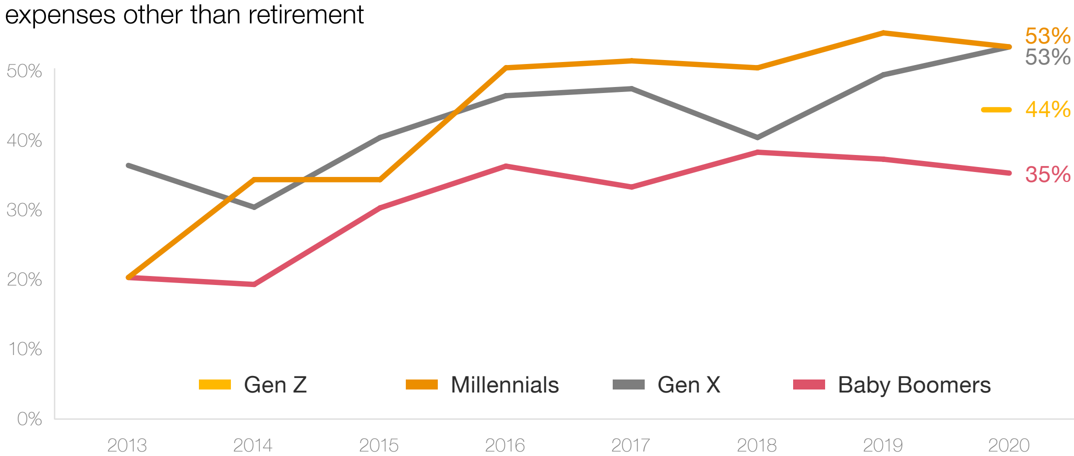
	Significant impact	Moderate impact
Among the **21%** of **Gen Z** with student loans	33%	33%
Among the **40%** of **Millennials** with student loans	39%	35%
Among the **30%** of **Gen X** with student loans	45%	30%
Among the **11%** of **Baby Boomers** with student loans	41%	22%

** Answer choices included significant impact, moderate impact, little impact, or no impact.*

Short-term relief via retirement savings may cause long-term harm

Changes in the economy may also exacerbate existing issues, including those forced to withdraw retirement funds prior to retirement. Already more than half of Millennial and Gen X employees told us it was likely they would use money held in their retirement plans for something other than retirement, the vast majority for unexpected expenses or medical bills. Those numbers may climb dramatically in the current economic climate, with many experiencing unexpected medical costs, further damaging employees' already unstable and underfunded retirement savings. Among our working Baby Boomers, more than half expect to be working in retirement either out of financial necessity or because they want to work. Those numbers could grow, particularly among Baby Boomers relying on their investments to fund retirement who now find themselves in a position of needing to work longer in order to retire securely.

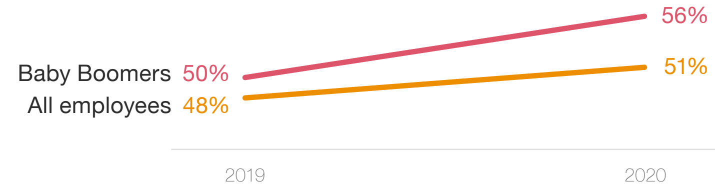
Employees who think it's likely they'll need to use money held in retirement plans for expenses other than retirement



What is the main reason you think it's likely that you'll need to use money held in your retirement plans to pay for expenses other than retirement?

	Gen Z	Millennials	Gen X	Baby Boomers
To deal with an unexpected expense	54%	55%	55%	49%
To pay medical bills	20%	21%	21%	22%
To pay off credit cards	7%	11%	10%	9%
To pay for education expenses	3%	4%	4%	2%
To buy a home	12%	6%	5%	2%
Other	4%	3%	6%	16%

Employees who expect to be working in retirement either out of financial necessity or because they want to work



Recognizing that many employees will look to their retirement plans to address cash shortfalls, the CARES Act provides some relief. Consistent with previous disaster-related relief, the CARES Act has a provision that waives the 10% early withdrawal penalty for distributions up to $100,000 for Coronavirus-related purposes from qualified retirement accounts. In addition, income attributable to such distributions that has not yet been taxed (e.g., pre-tax contributions) would be subject to tax over three years, and the taxpayer may recontribute the funds to an eligible retirement plan (including an IRA) within three years without regard to that year's contribution limit amount.

While this provision offers some relief for those who access retirement savings, employees should also evaluate the full implications of doing so. Taking money out of a 401(k), as a loan or withdrawal may mean selling investments at a loss, locking in those losses, and missing out on the potential for future recovery and growth. Those who have access to other funds in a savings account or investments that haven't been as impacted by the market downturn may want to consider using those first.

We are also finding that employees are confused about whether the CARES Act 10% penalty exemption is available to them. The CARES Act provision is not automatic; rather, it requires employers to adopt the rules. Some employers are adopting the provisions outlined in the legislation in full, while others are adopting modified versions. Employers will need to clearly communicate to employees the retirement plan loan and withdrawal provisions of their specific plans so their employees will be able to make educated personal decisions and fully understand implications of withdrawing the money.

Recovery and prevention will be the next step for employees and employers

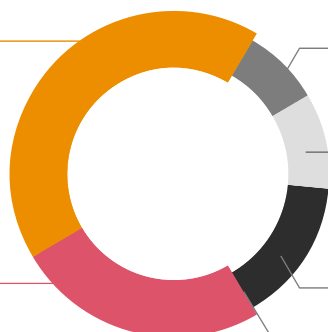
Beyond the critical financial decisions needed to get through the immediate impact of COVID-19, employees will need guidance as they recover financially and strive to protect themselves from future financial issues. Those who withdraw retirement savings now may need to increase their savings rate in the future in order to get back on track for their retirement goals. They should also consider making a plan to recontribute funds, if possible, before the three-year CARES Act window expires. The current situation likely made painfully clear for many the importance of often-overlooked cornerstones of financial planning like building sufficient emergency funds or investing appropriately for one's time horizon and risk tolerance. There is an inclination, particularly among novice investors, to react emotionally to market fluctuations and downturns. Similar to the market crash of 2008, we see employees moving funds into more conservative investments, abandoning their long-term investment strategies.

The majority of employees (more than two-thirds) seek financial guidance at key decision points or when they're already in crisis.

When are you most likely to seek financial help or guidance?

42% When I have to make an important financial decision like buying a home or making saving and investing decisions

25% When I find myself in financial crisis (debt issues, unexpected expenses, job or income loss, lack of cash flow)



8% Never. I handle my own finances.

10% When I am experiencing a life event like marriage, birth, death, divorce, or job change

15% Other

0% On an ongoing basis as I have a financial advisor

In 2020, employers need to recognize the economic realities of COVID-19 and understand the important role they can play, directly or indirectly, in helping reduce financial difficulties and stress their employees will likely encounter. In the days, weeks, and months ahead, employees will need objective financial guidance and support to weigh their options as they consider the variety of employer and government benefits available to meet their rising financial needs and growing concerns. Not only is it the socially conscious response for employees reeling from the global pandemic, but it will likely benefit the organization with a more appreciative workforce with greater financial resiliency and engagement.

About this survey

PwC's 9th annual Employee Financial Wellness Survey was conducted in January 2020 and tracks the financial and retirement well-being of working U.S. adults nationwide. This year it incorporates the views of 1,683 full-time employed adults. Participants have been categorized by generation using the following age groups: 18-23 (Gen Z), 24-38 (Millennials), 39 to 59 (Gen X), and 60 to 75 (Baby Boomers). Representation of these generations in the workforce is based upon Bureau of Labor Statistics. For the first time in our survey, we are reporting Gen Z results as they are the newest generation to enter the workforce.

Citations of this survey report should read "PwC's 9th annual Employee Financial Wellness Survey COVID-19 Update, PwC US, 2020."

About the PwC Employee Financial Education and Wellness practice

PwC's Employee Financial Education and Wellness practice works with clients to design and deliver financial wellness programs tailored to employee needs and specific employer objectives. Employees may be stressed over organizational shifts, market conditions, personal life events, or benefits changes. Our goal is to empower employees to make educated decisions to improve their financial well-being.

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