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Financial stress, student loans and retirement plan withdrawals all present obstacles

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Set against a backdrop of high consumer confidence and a booming stock market, financial stress among Millennials decreased to 57 percent (down from 64 percent last year) and is more in line with the percentage of Gen X employees who are stressed about their finances (59 percent). Yet as they age, Millennials are confronting many of the challenges their Gen X co-workers face, including providing financial support for parents while also caring for their own children.

“Despite a steady economic recovery and enhanced financial stability, 53 percent of employees are still stressed about their finances,” says Kent E. Allison, leader of PwC’s Employee Financial Education and Wellness practice. “Millennials are no longer the start-up generation; they’re settling down, buying homes, and having children. Couple this with caring for an aging Baby Boomer population, and you’ll find that both Millennials and Gen X are feeling squeezed by their daily living expenses. As we learned from this year’s survey, financial wellness is not just about retirement or long term goals, it’s about living with manageable debt and enjoying the freedom that comes with sound financial choices.”

Employee financial stress can be costly for companies

Nearly one-third of all employees reports being distracted by personal financial issues while at work, with almost half of that group spending three hours or more each week handling personal finances at work.

“Financial stressors are not only negatively impacting employees, but are significantly costing employers,” noted Allison. “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.”

In fact, PwC’s survey results find that employees who are stressed about their finances are nearly five times more likely to be distracted by their finances at work,

twice as likely to spend three hours or more at work dealing with financial matters

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consistently carry balances on their credit cards and 45 percent use their credit cards for monthly expenses they could not afford otherwise. Student loans continue to be a significant obstacle, with 40 percent of Millennial employees carrying student loan debt, and 83 of them saying that their student loans have a moderate or significant impact on their ability to meet their other financial goals.

Gen X is experiencing their own set of growing financial challenges. Fifty percent of Gen X respondents find it difficult to meet household expenses on time each month (up from 44 percent last year) and 30 percent provide financial support for their parents or in-laws. Gen X also experienced a rise in those who consistently carry credit card balances this year, 63 percent compared with 53 percent 2016, and this is a growing issue even among employees who earn more than \$100,000 a year.

With monthly expense stressors increasing for both Millennials and Gen X, concern over having enough for emergency expenses was again cited as a financial concern by half of all employees. Building on the fear of lacking robust savings, it appears that Millennial and Gen X employees are turning to their retirement savings as an additional source of money to cover everyday expenses, with more employees from both generations withdrawing money from their retirement plans than we've seen in prior years.

Nearly one in three of all employees has already withdrawn money held in retirement plans to pay for expenses other than retirement and 44 percent think it's likely they'll need to do so in the future. One oft-cited reason for withdrawing from a retirement plan, buying a home, is actually one of the *least* cited reasons by employees. Instead, the majority of employees who plan to withdraw money from their retirement plans need it for unexpected expenses (51 percent Millennials, 57 percent Gen X and 53 percent Baby Boomers) and paying medical bills (22 percent Millennials, 18 percent Gen X and 24 percent Baby Boomers).

“The fact that employees are looking at their retirement savings as an emergency

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percent) have saved less than \$50,000 for retirement. While common sense would imply this number was influenced by millennials who have had less time to save, a surprising 30 percent of Baby Boomers have saved less than \$50,000 and 72 percent of Boomers have saved \$300,000 or less.

With nearly half (48 percent) of all employees thinking Social Security benefits will either not be available or will be reduced when they retire, the majority of employees (57 percent) would consider a partial retirement (working a reduced schedule) if their employer offered one.

“Employees may now believe retirement will be more of a transition than a predetermined age,” adds Allison. “As financial employee benefits continue to evolve, employers should consider building out additional resources that ensure their employees are prepared for their future regardless of their salary, gender or age.”

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