

# Principal Financial Well-Being Index

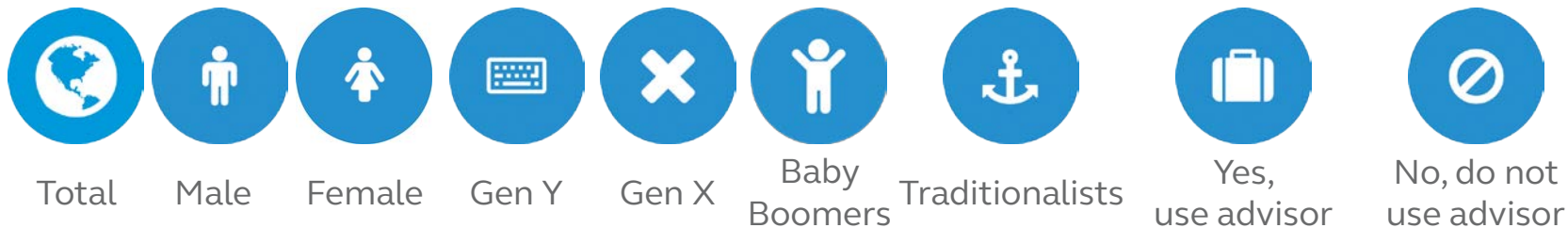
American Workers

Global Center for Brand & Insights – Market Research

November, 2016



# Subgroup Study Sizing



Unweighted Base

1,117	540	577	389	402	320	6	336	781
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Weighted Base

1,117	609	508	397	418	295	7**	330	787
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Effective Base

521	259	268	174	192	156	3	165	358
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Base: Q4 2016 = 1,117, Q4 2015 = 1,122, Q4 2014 = 1,123, Q4 2013 = 1,106, Q4 2012 = 1,103, Employed U.S. adults in firms of 10-1,000 employees

\*\*very small base (under 30) ineligible for sig testing

Detailed Findings

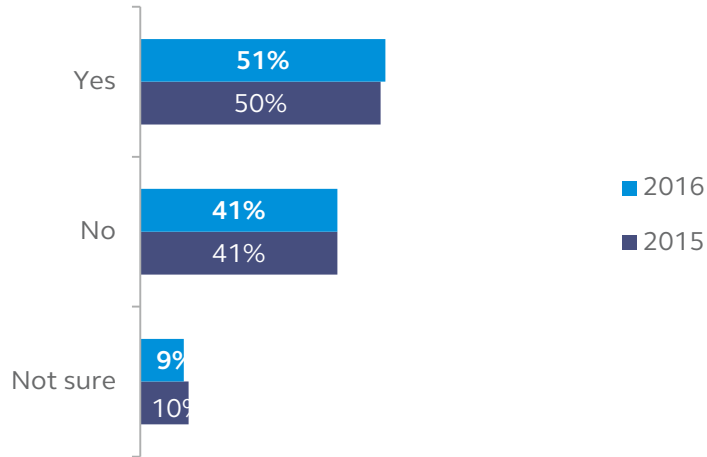
# Holiday Spending & Budgeting

Principal Financial Well-Being Index:  
American Workers



# Perception of Financial Health

“Do you feel better off financially than you were at the beginning of the year?”



- Just over half of employees (51%) feel better financially than they did at the start of 2016, a slight increase from 2015.
- 70% of employees who use a financial advisor perceive their financial health to be better off.



**55%** of men feel better off financially now than they did at the start of the year compared to **46%** of women.

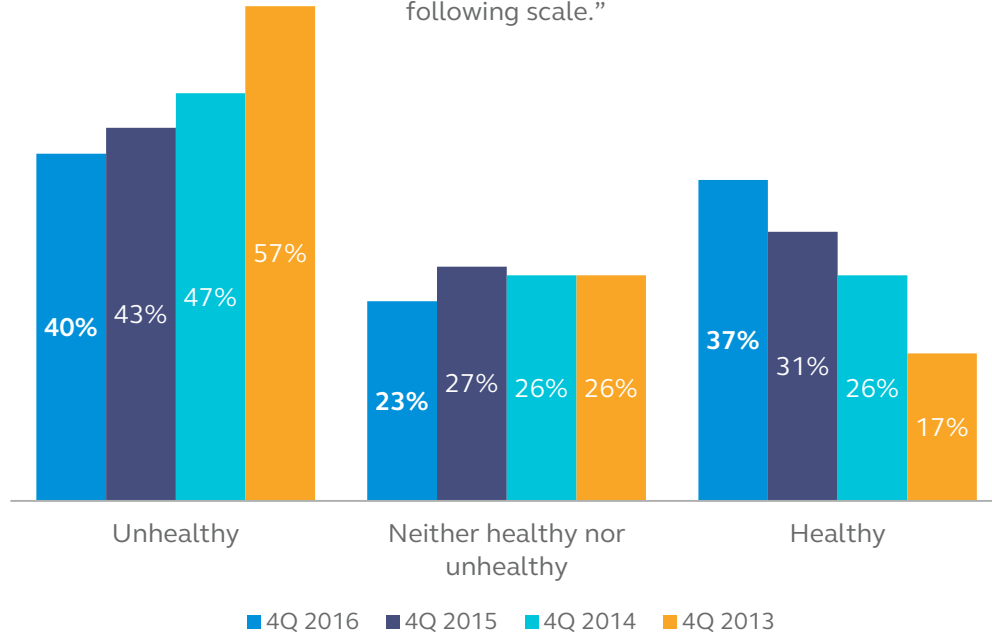


- Gen Y (60%) employees are more likely to feel better financially than at the start of 2016 compared to Gen X (47%), Baby Boomers (45%) and Traditionalists (25%).

“As we approach the end of 2016, do you feel better off financially than you were at the beginning of the year?”  
Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees

# Perception of Economic Health

“Please rate the health of the economy at this time using the following scale.”



“Unhealthy” = “Very Unhealthy” or “Unhealthy” (Bottom 2 Box)  
 “Healthy” = “Very Healthy” or “Healthy” (Top 2 Box)

- Four in ten (40%) view the economy as unhealthy while positive economic perception continues to grow.
  - 37% rated the economy as healthy compared to 31% a year ago and 17% in 4Q 2013.
- Men (46%) are more likely than women (27%) to rate the economy as healthy.
- Employees nearing retirement (50-64) are the least likely to have a positive perception of the economy (21%), when compared to other age groups of employees.

“Please rate the health of the economy at this time using the following scale.”  
 Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees

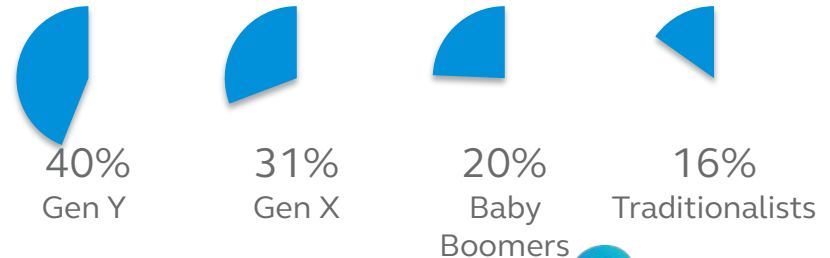


# Economic Projections for 2017

“What do you think will happen with the economy in the next year?”	4Q 2016	4Q 2015	4Q 2014	4Q 2013	4Q 2012
Improve significantly	<b>7%</b>	3%	3%	2%	6%
Improve somewhat	<b>24%</b>	30%	27%	30%	37%
Stay the same	<b>34%</b>	33%	40%	28%	31%
Worsen somewhat	<b>25%</b>	26%	22%	27%	19%
Worsen significantly	<b>10%</b>	8%	8%	13%	7%

- For the most part, employees are split on what they think will happen with the economy in the next year.
- Men (37%) are more likely than women (24%) to say the economy will improve in the next year.
- Gen Y employees are the most likely (40%) to believe the economy will improve in the next year.

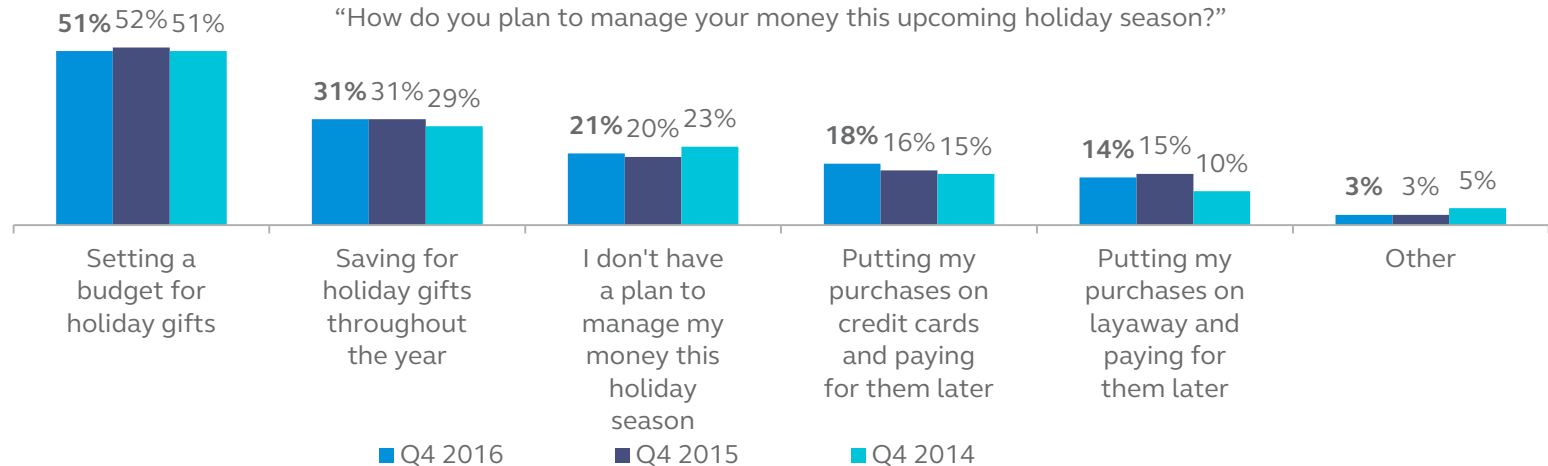
Expect Economy to Improve in the Next year by Generation



“What do you think will happen with the economy in the next year? Please select one.”  
 Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees

# Holiday Season Money Management

- One in five (21%) don't have a plan to manage their money this holiday season.
- Women (56%) are more likely than men (47%) to plan to set a budget this holiday season.
- 82% of employees who plan to set a budget are very or somewhat likely to stick to it.
- Gen Y is the most likely generation to put purchases on layaway and pay for them later.



“Now thinking about the holidays, how do you plan to manage your money this upcoming holiday season?”

Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees

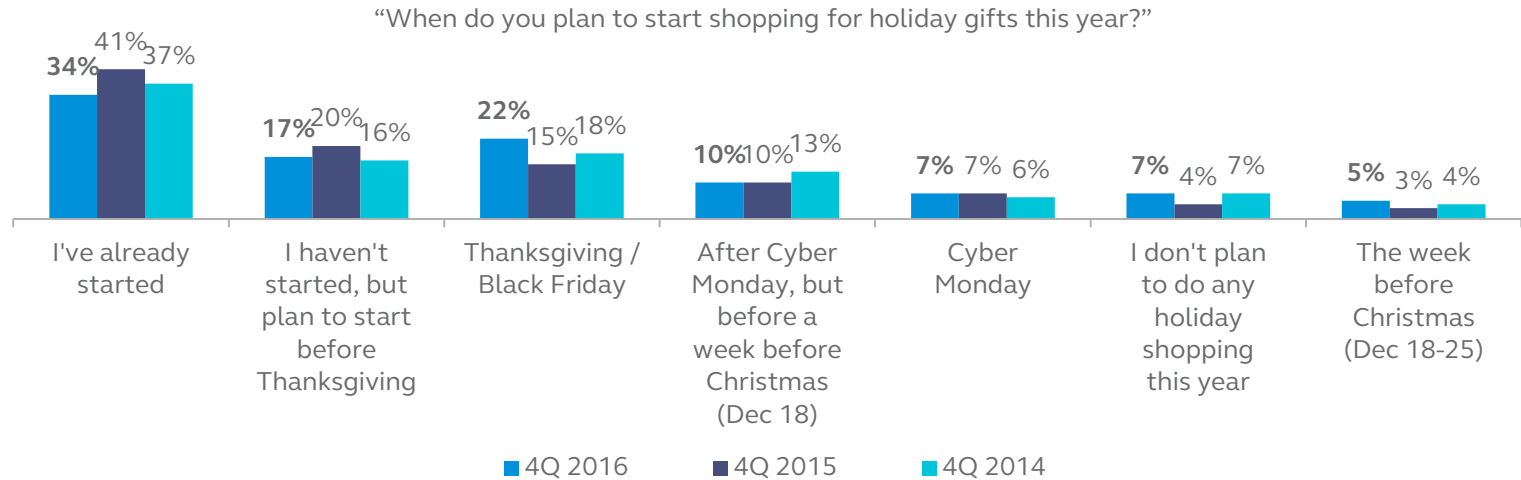
“How likely are you to stick to your budget this upcoming holiday season?”

Base: 595 Employed U.S. adults in firms of 10-1,000 employees that plan to set a budget to pay for gifts this holiday season



# Holiday Season Shopping Plans

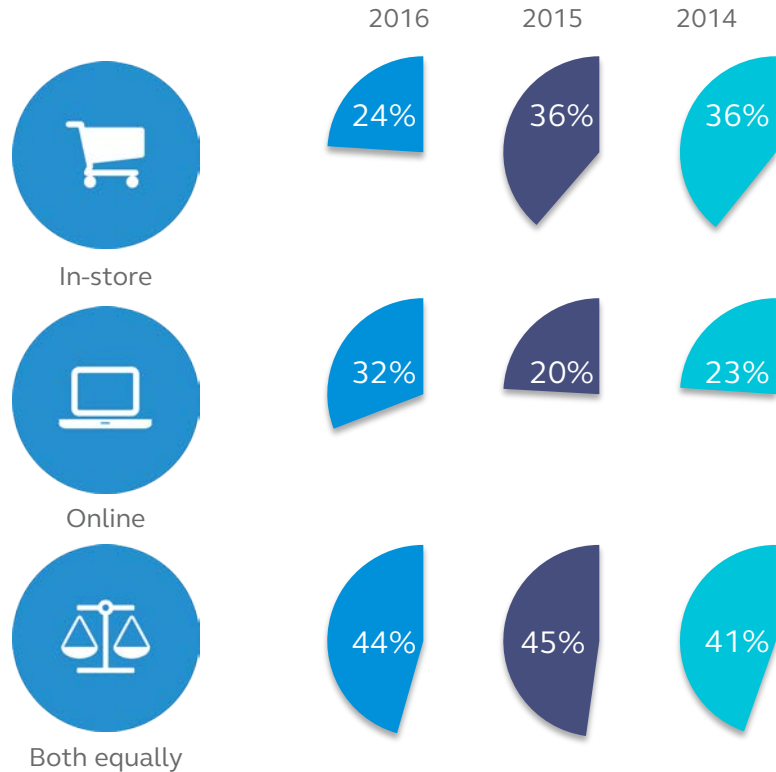
- Employees are shifting to start their holiday shopping on Thanksgiving/Black Friday.
  - 22% of employees are using Thanksgiving/Black Friday to begin their shopping compared to 15% in 2015 and 18% in 2014.
- Women (36%) are more likely than men (32%) to have already started holiday shopping.



“When do you plan to start shopping for holiday gifts this year?”  
 Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees



# Primary Mode of Holiday Shopping

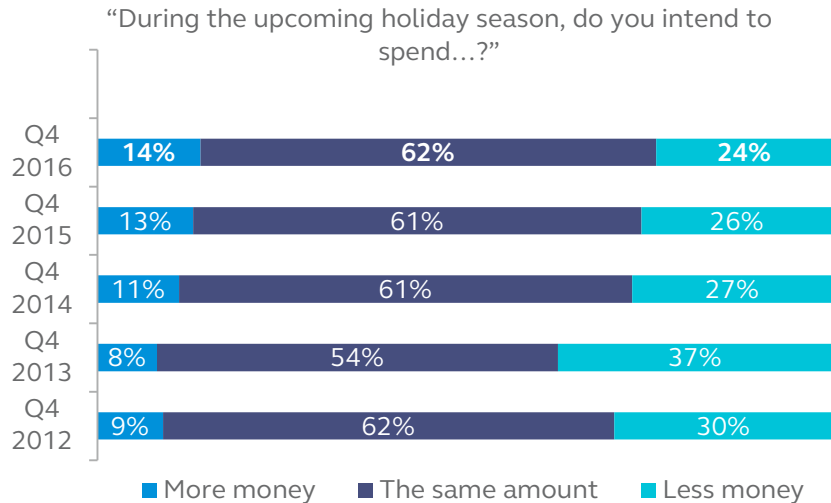


- More employees are using online shopping as their primary channel for holiday shopping.
  - Three in ten (32%) employees utilize online as their primary mode of shopping.
- Men (36%) are more likely than women (28%) to shop online for the holidays.

“How are you primarily planning to shop for your holiday gifts this year?”  
Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees

# Anticipated Holiday Spending

- 14% of employees are planning on spending more money than last holiday season while 62% expect their spending level to remain consistent with last year.
- Two in five employees (42%) will spend \$101-\$500 in the upcoming holiday season.



“How much do you plan to spend in the upcoming holiday season?”	4Q 2016	4Q 2015	4Q 2014	4Q 2013	4Q 2012
\$100 or less	8%	6%	8%	9%	6%
\$101 - \$500	42%	46%	45%	45%	50%
\$501 - \$750	13%	15%	13%	13%	13%
\$751 - \$1000	14%	15%	14%	11%	13%
\$1001+	19%	16%	17%	19%	16%
Decline to answer	3%	3%	3%	3%	2%

“During the upcoming holiday season, do you intend to...?”  
 “How much do you plan to spend in the upcoming holiday season?”  
 Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees



# Paying for Holiday Gifts

“How are you primarily planning to pay for your holiday gifts this year?”	4Q 2016	4Q 2015	4Q 2014	4Q 2013	4Q 2012
Credit cards – will pay off	<b>27%</b>	27%	29%	30%	26%
Cash	<b>19%</b>	27%	26%	27%	28%
Debit card	<b>33%</b>	24%	23%	23%	26%
Credit cards – will not pay off	<b>7%</b>	11%	8%	10%	10%
Layaway	<b>3%</b>	4%	2%	2%	2%
Pre-paid card	<b>2%</b>	1%	3%	1%	1%
Holiday savings club / plan	<b>2%</b>	1%	2%	2%	2%
Personal loan	<b>1%</b>	1%	1%	0%	0%
Other	<b>1%</b>	1%	1%	1%	2%
Not sure	<b>3%</b>	3%	3%	2%	2%
None of the above	<b>3%</b>	1%	2%	2%	1%

- Paying for holiday gifts with a debit card (33%) is the most popular way for employees to pay.
  - Over half (52%) are planning on paying for gifts right away with either their debit card or cash.



Directionally, more men (21%) than women (17%) indicate primarily planning to use cash for holiday gifts.



# Holiday Spending Stress

“How much stress do you expect holiday expenditures will put on your personal financial situation?”

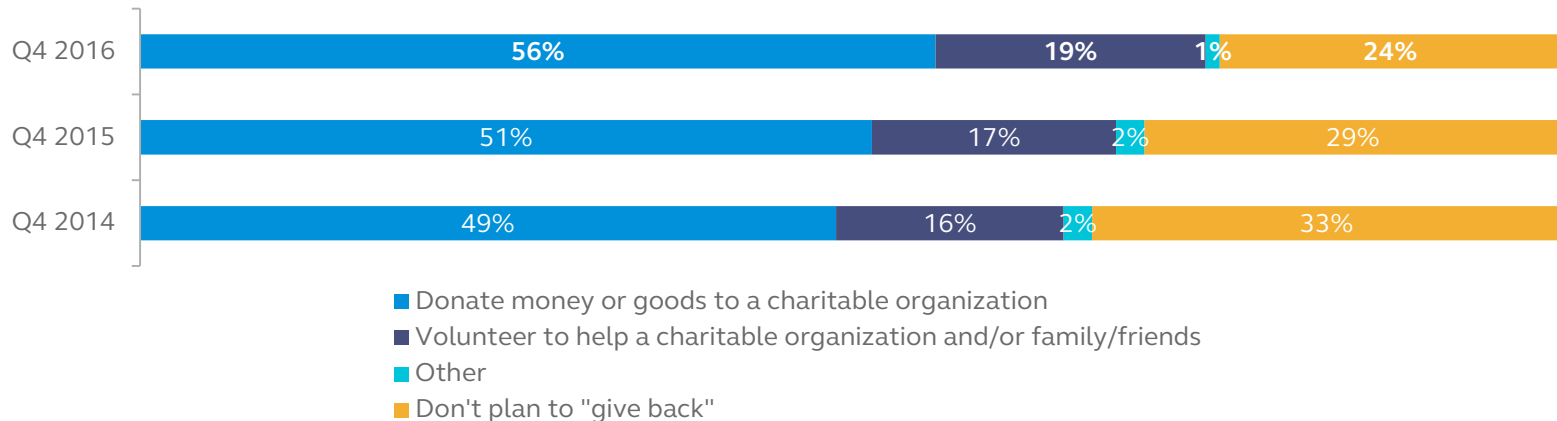


- About half of employees (53%) expect a moderate amount of stress on their personal finance situation.
- Employees with children in the household expect higher levels of stress compared to those who don't.
  - 72% believe they hold moderate or a great deal of stress compared to 58% for employees without children in the house.

# Giving Back this Holiday Season

- The majority (75%) of employees plan to “give back” in some way this holiday season.
  - Gen X employees (80%) are more likely than Baby Boomers (71%) to “give back” this holiday season.
  - Women are more likely to donate to a charity (60%) than volunteering (16%).
- Just under a quarter (24%), don’t plan to “give back”.

“How do you plan to ‘give back’ this holiday season?”

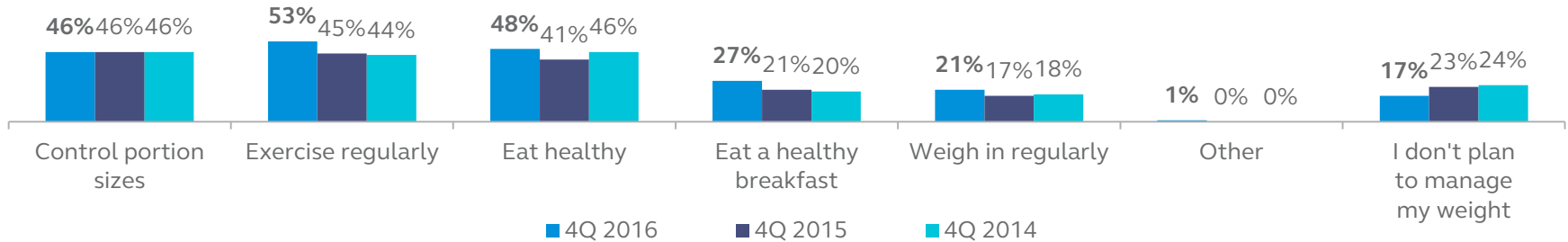


“How do you plan to ‘give back’ this holiday season?”  
Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees

# Holiday Season Weight Management

- Over half of employees (53%) are planning on exercising regularly to manage weight in the holiday season.
  - Gen Y (64%) is the most likely generation to plan to manage their weight by exercising regularly.
- Women (56%) are more likely than men (38%) to say they plan to control their portion sizes.

“How do you plan to manage your weight during the upcoming holiday season?”



“How do you plan to manage your weight during the upcoming holiday season? Please select all that apply.”  
 Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees



# 2017 New Year's Resolutions

“Which of the following, if any, do you intend to make as New Year’s resolutions in 2017?”	4Q 2016	4Q 2015	4Q 2014	4Q 2013	4Q 2012
Put a set amount of money into savings each month	<b>35%</b>	31%	24%	34%	29%
Pay off credit card debt	<b>34%</b>	28%	28%	28%	27%
Reduce spending by a specific amount each month	<b>25%</b>	19%	20%	23%	21%
Stop using my credit cards	<b>16%</b>	12%	13%	13%	14%
Defer more in my DC plan	<b>17%</b>	11%	11%	11%	10%
Work with a financial planner/advisor	<b>13%</b>	9%	6%	8%	6%
Other	<b>3%</b>	4%	6%	6%	6%
None of these	<b>7%</b>	9%	10%	11%	11%
I don’t intend to make a resolution	<b>27%</b>	32%	35%	28%	27%

- A quarter of employees (25%) plan to reduce spending by a specific amount each month in the new year.
- 27% of employees don’t intend on making a financial resolution in 2017.
  - Employees who don’t use an advisor (29%) are more likely to not set a financial resolution compared in 2017.

“Which of the following, if any, do you intend to make as New Year’s resolutions in 2017? Please select all that apply.”  
 Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees



# Concerns for 2017

“In thinking ahead to the New Year, which of the following issues concern you most?”	4Q 2016	4Q 2015	4Q 2014	4Q 2013	4Q 2012
Health care costs	49%	50%	52%	58%	52%
Food prices	40%	46%	45%	52%	52%
Economic uncertainty	45%	45%	42%	53%	53%
Tax increases	46%	42%	38%	49%	47%
Gas prices	36%	34%	40%	58%	59%
Political uncertainty	45%	32%	26%	35%	29%
Rising inflation	29%	31%	32%	36%	33%
Terrorism	41%	29%	36%	NA	NA
Unemployment	25%	25%	22%	28%	36%
Stock market	22%	20%	17%	16%	18%
Housing market	19%	18%	15%	21%	19%
Other	5%	4%	5%	4%	4%
None of the above	3%	6%	4%	3%	1%
Not sure	2%	3%	4%	3%	1%

- 45% of employees are most concerned about political uncertainty in 2017 – it’s highest total over the last four years.
  - Political uncertainty is male employee’s (48%) highest rated concern in 2017 when compared against the other choices.
- Nearly half of employees (49%) are most concerned with health care costs in the New Year.

“In thinking ahead to the New Year, which of the following issues concern you most? Please select all that apply.”  
 Base: 1.117 Employed U.S. adults in firms of 10-1,000 employees





# Financial Blunders in 2016

- Employees’ top financial blunder in 2016 includes not saving enough (15%), accumulated credit card debt (11%) and taking on more debt (10%).

“What is the top financial blunder you have made this year?”	4Q 2016	4Q 2015	4Q 2014	4Q 2013	4Q 2012
Not saving enough	15%	20%	17%	21%	21%
Accumulating credit card debt	11%	11%	9%	9%	13%
Spending outside my means	9%	9%	9%	7%	7%
Taking on more debt	10%	7%	8%	8%	6%
Investing too little in my retirement	5%	7%	6%	5%	6%
Not budgeting properly	8%	5%	6%	7%	10%
Draining my emergency fund	5%	5%	5%	7%	5%
Failing to invest	4%	3%	3%	6%	3%
Investing at the wrong time	3%	3%	2%	2%	2%
Taking out a 401(k) loan	4%	2%	1%	2%	1%
Other	2%	2%	3%	2%	2%
None of the above	25%	26%	30%	24%	24%

“What is the top financial blunder you have made this year?”  
 Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees



# 2016 Areas of Blown Budget

“In which of the following areas did you blow your budget in 2016?”	4Q 2016	4Q 2015	4Q 2014	4Q 2013
Dining out	<b>25%</b>	24%	22%	22%
Food / Groceries	<b>20%</b>	19%	18%	21%
Entertainment	<b>18%</b>	15%	15%	15%
Other consumer goods	<b>18%</b>	15%	9%	13%
Travel	<b>20%</b>	14%	12%	14%
Housing / Home improvements	<b>19%</b>	14%	10%	11%
Clothing / Apparel / Shoes	<b>17%</b>	11%	10%	15%
Gas	<b>12%</b>	9%	13%	20%
Coffee	<b>9%</b>	6%	3%	5%
Other	<b>8%</b>	10%	11%	9%
None of the above	<b>28%</b>	30%	34%	29%

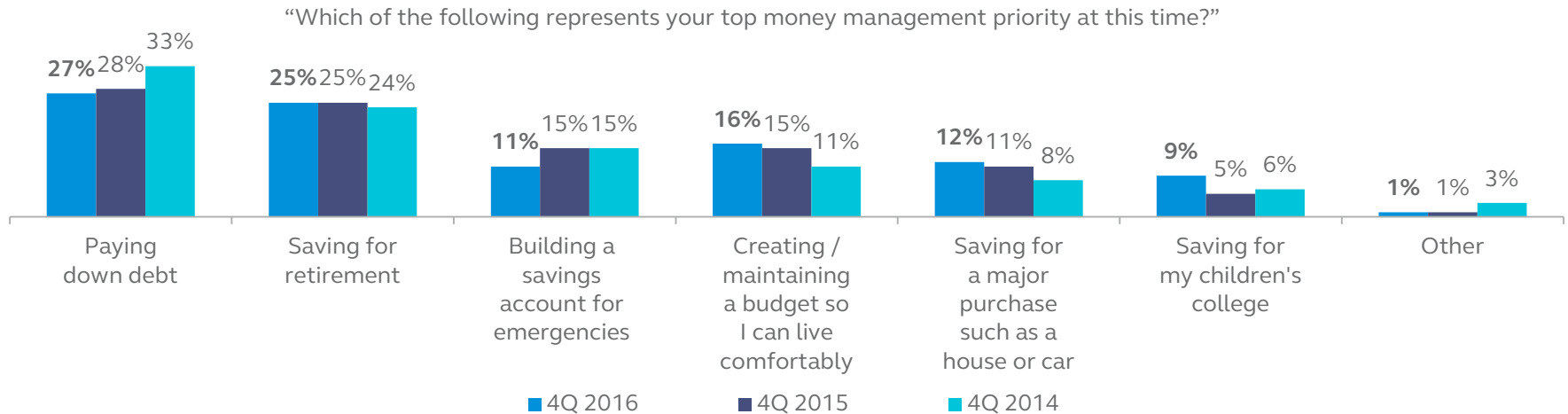
- Dining out (25%), food and groceries (20%) and travel (20%) are top areas where employees blew their budget in 2016.
- Gen Y (35%) employees are more likely than Gen X (22%) and Baby Boomers (14%) to have blown their budget dining out over 2016.
- Directionally, more men (21%) than women (15%) indicate having blown their budget on entertainment in 2016.

“In which of the following areas did you blow your budget in 2016?”  
 Base: 1,117 Employed U.S. adults in firms of 10-1,000 employees



# Top Money Management Priority

- Paying down debt (27%), saving for retirement (25%) and creating/maintaining a budget (16%) are top money management priorities for employees at this time.
- Nearly one in ten (9%) employees state savings for my children’s college is a priority.



# Methodology

**This Principal Financial Well-Being Index<sup>SM</sup>: American Workers** was conducted online within the United States by Harris Poll on behalf of the Principal Financial Group® between October 21 and October 28, 2016 among 1,117 employees. This is one in a series of quarterly studies to identify and track changes in the workplace of small and mid-sized (growing) businesses. The first Principal Financial Well-Being Index<sup>SM</sup> survey was conducted in the United States in 2000.

Employees consisted of adults 18+ who work at small and mid-sized (SMB) U.S. businesses (firm size 10-1,000 employees). Results were weighted as needed for age by gender, education, race/ethnicity, region and household income. Propensity score weighting was also used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Poll avoids the words “margin of error” as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in Harris Poll surveys. The data have been weighted to reflect the composition of the entire population of adult employees working for small to mid-sized U.S. businesses. Because the sample is based on those who agreed to be invited to participate in the Harris Poll online research panel, no estimates of theoretical sampling error can be calculated.