

# Finding the Links Between Retirement, Stress, and Health



## LOCKTON RETIREMENT SERVICES

One in five workers reports feeling high levels of stress, and the top two drivers for this are economic: their jobs and their financial situations. In the latter, access to retirement plans and retirement readiness seem to play positive roles. To find out more, Lockton surveyed more than 600 individuals nationwide representing a broad range of age and income. We discovered that stress affects not only the people experiencing it, but the organizations employing them, as well.

## Who Feels Stress?

When asked about stress overall, one in five respondents reported feeling extremely stressed. This breakdown looks different, however, when overlaid with the person's economic perspective. Forty percent of those in fair or poor financial situations reported high levels of stress. Comparatively, only 28 percent of those in good or excellent financial situations felt extremely stressed.

Examined a different way, when asked specifically, "To what extent are you stressed by your financial situation?" one in five reported a high correlation. One in four reported a low connection, and half fell somewhere in between. Those who felt higher levels of financial stress tended to be less educated or women with incomes below \$50,000.

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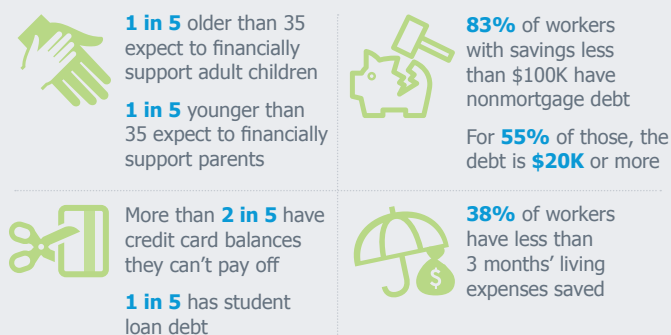


Lockton surveyed 613 people to explore the connections between financial well-being and productivity at work. The findings revealed a definite link.

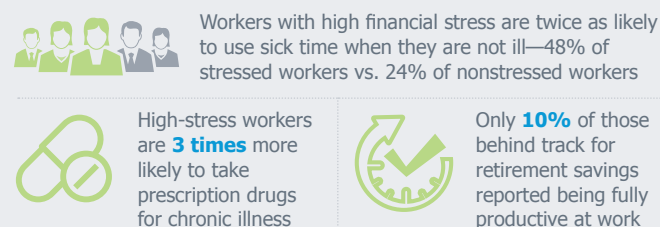
**1 in 5** respondents reported a high level of stress



Stress came from a number of monetary challenges.



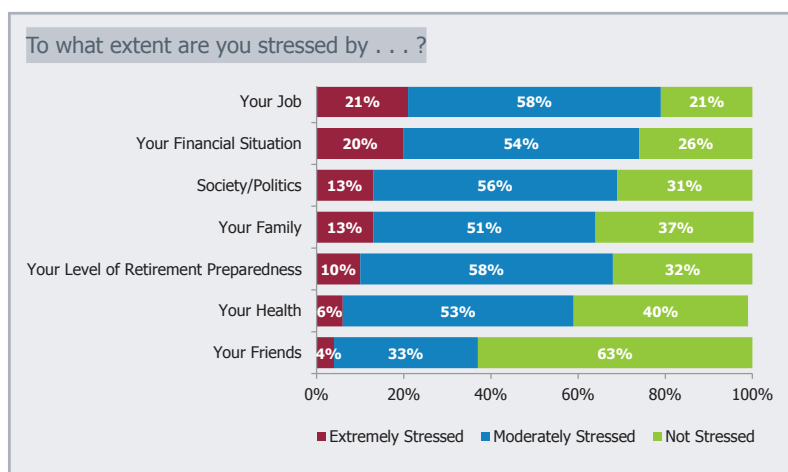
Stress had a significant impact on workplace productivity.



Demographics of Stress	Of Those With . . .		
	Low Financial Stress	Medium Financial Stress	High Financial Stress
Average Age	48	45	44
Contributing to Employer-Sponsored Retirement Plan	96%	94%	83%
Personal Income Less Than \$50,000	37%	41%	60%
Female	38%	43%	57%
Less Than a 4-Year College Degree	22%	26%	37%

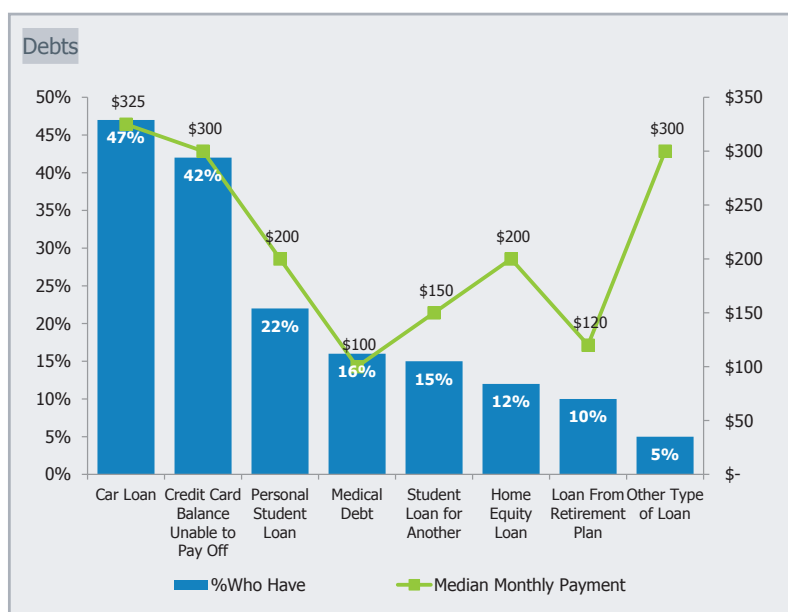
## It's Challenging, Waiting to Buy

Financial literacy seems to be a root cause of stress. Twenty-five percent of workers in fair to poor financial situations report difficulty managing money. This is compared to only 3 percent of those with excellent or good finances. Behavior may be a driver of this, especially the ability to save over time for large purchases. Just 23 percent of those in good to poor financial situations report an ability to delay instant gratification. Those in excellent financial status are twice as likely to say they can delay instant gratification.



Perhaps linked to this, those feeling highly stressed were more likely to say they had greatly decreased household saving and greatly increased household spending over the last three years.

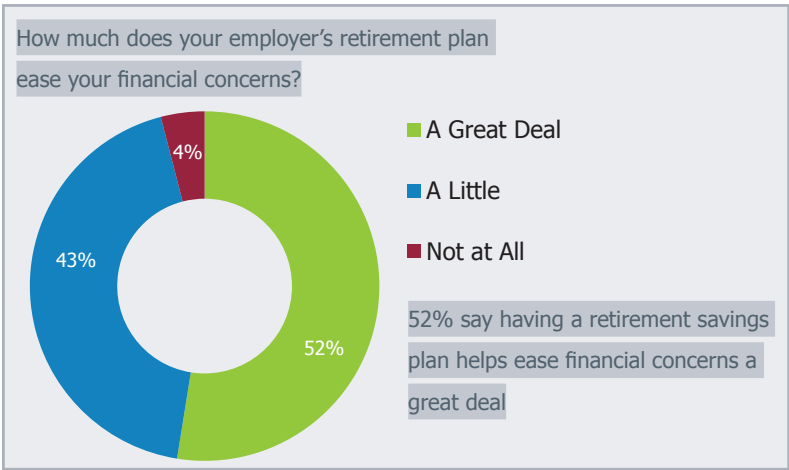
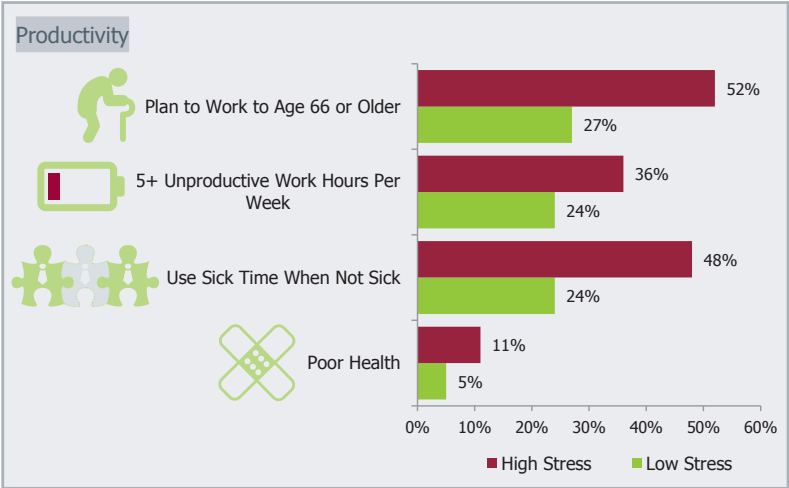
More buying often means more debt. Half of respondents overall reported debt, exclusive of mortgage debt, in excess of \$10,000. The median payments for these debts ranged from \$100 to more than \$300, with a weighted estimated monthly debt bill in excess of \$400. The majority of respondents said that they had mortgage payments, the median of which was \$1,075, but 79 percent expected to have that paid off in five years or less.



## The Workplace Feels the Effects

Stress at home finds its way to the workplace in the forms of illness, absenteeism, and decreased productivity. Respondents with high levels of stress were more than four times as likely to suffer from symptoms of fatigue, headache, depression, or other ailments. They were also twice as likely to report poor health overall.

Often, this group would be absent or disengaged from their work. They were twice as likely to use sick time when they were not ill and more likely to report being nonproductive. Half of all respondents reported using work time to review financial statements or pay bills. Those with lower levels of savings felt especially distracted; 10 percent of people with less than \$100,000 in assets said their work productivity suffered a great deal due to financial stress.



Respondents With . . .	Reported Job Satisfaction Levels	
	High	Low
Access to a Defined Benefit Plan	48%	21%
Employers Contributing Nothing to a Retirement Plan	7%	20%
Employers Contributing Less Than 5%	46%	59%
Employers Contributing 5-9%	33%	22%
Employers Contributing 10% or More	14%	0%

## Retirement's Future Benefit Matters Now

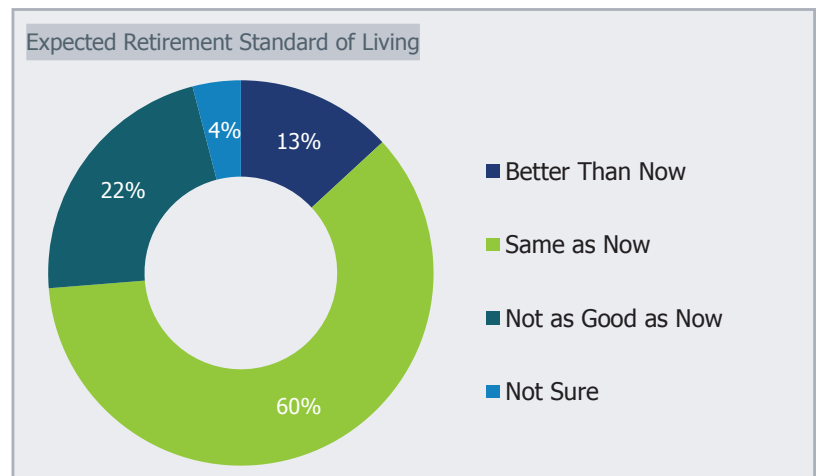
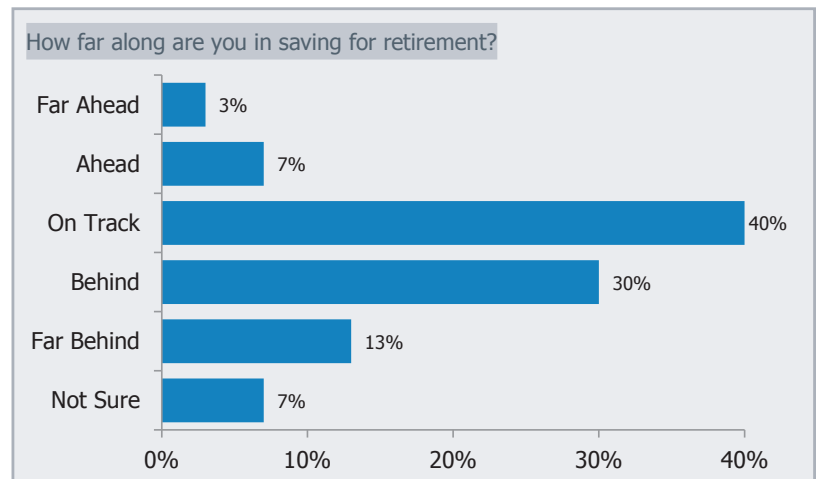
Most of the respondents said that simply having access to an employer-sponsored retirement plan eased their financial concerns somewhat, and at least half said it helped a great deal. Being successful in the plan also mattered. Those who were most retirement ready had the highest levels of job satisfaction.

There was also a connection between the level of plan generosity and job satisfaction. This was most significant for those who were participants in defined benefit plans where job satisfaction was more than twice as likely to be high. Of the respondents, though, most did not anticipate receiving retirement income from a pension plan. In lieu of this, employer contributions to a defined contribution plan positively affected satisfaction.

Beyond job satisfaction, there was also a connection between retirement well-being and health. People who were on track or ahead in saving for retirement consistently reported fewer ailments:

Experienced Physical Symptoms Almost All the Time/ Frequently While at Work	Percentage of Respondents in These Categories		
	Ahead in Saving for Retirement	On Track in Saving for Retirement	Behind in Saving for Retirement
Fatigue	19%	19%	31%
Feeling Overwhelmed	9%	13%	31%
Anxiety or Nervousness	7%	10%	23%
Headaches	5%	10%	23%
Clenched Jaw or Teeth Grinding	4%	11%	16%
Insomnia	3%	7%	11%
Upset Stomach	5%	4%	14%
Depression	3%	6%	11%
Sense of Impending Doom	1%	4%	11%

In addition to feeling positive about having a retirement benefit overall, the respondents to the survey also felt positive about their level of retirement knowledge. Seventy percent described themselves as somewhat or very knowledgeable about retirement. This differed, though, based on financial stress levels: Only 54 percent of workers with high levels of financial stress described themselves as knowledgeable about retirement, versus 84 percent of those who felt low stress. In addition to feeling knowledgeable about retirement, survey respondents felt confident in their levels of readiness. Many consider themselves on track or ahead in their savings and most believe they will maintain their current standard of living in retirement.

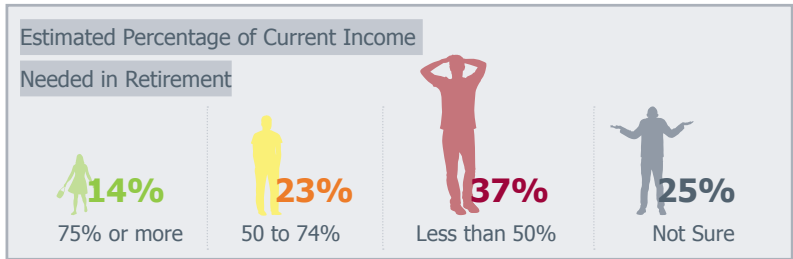
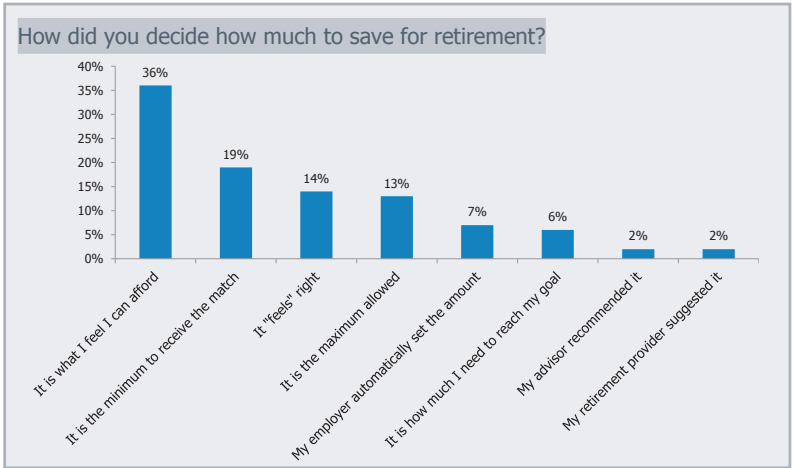




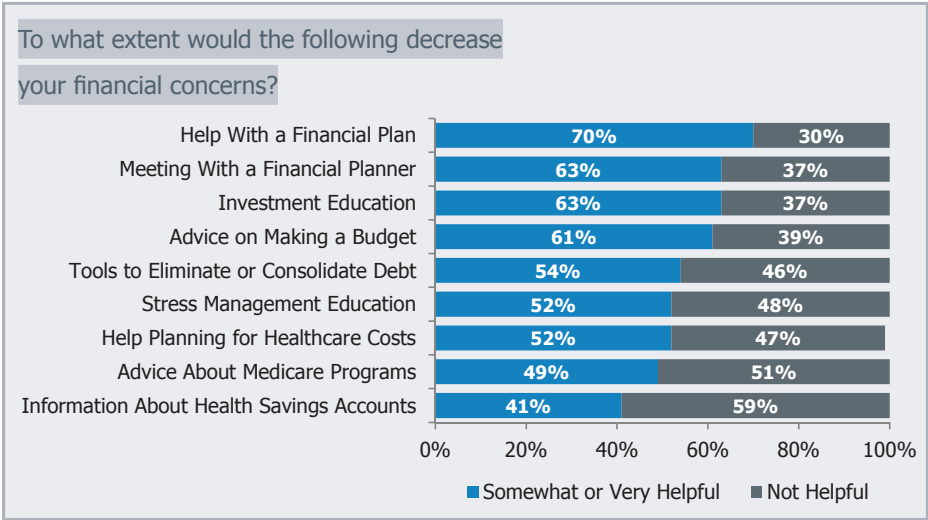
This confidence may not, however, match reality. More than half contribute 6 percent or less to their retirement plans. The primary driver for their savings levels was what they felt they could afford and the amount necessary to get the company match. Only 6 percent set their savings rate based on what they needed to achieve their goals.

When it comes to setting goals, a quarter of respondents were unsure of how much they would need in retirement, and most had a likely unrealistically low retirement income target. Based on demographic responses about household income, savings, and savings rates, estimates could be made of future retirement income. Those estimates suggest that three fourths of respondents would fall below a minimum 75 percent wage replacement target. This phenomenon was consistent across every household income level.

The importance of understanding financial needs in retirement extends beyond the individual. As many as one in ten expect to care for extended family members in retirement, including adult children, parents, and grandchildren. Caring for extended family is already a draw on productivity. Of those using sick time when not actually ill, almost half did so for family caregiving reasons.



Projected Income Replacement Rate	Percentage of Respondents by Total Household Income			
	< \$70,000	\$70,000-\$99,999	\$100,000-\$149,999	\$150,000+
Less than 20%	20%	33%	23%	26%
20% to 29%	13%	14%	21%	22%
30% to 49%	26%	22%	23%	24%
50% to 74%	11%	11%	16%	13%
75% or more	30%	20%	17%	15%



## Employees Think About More Than Just Retirement

Respondents listed creating a financial plan, meeting with a financial professional, and investment education as the most helpful ways to decrease their financial concerns. When considering services for the most stressed employees, however, the focus for planning meetings may need to be on debt management. Highly stressed respondents listed paying off a credit card balance as their number one priority.

Additional comparisons between the high- and low-stressed respondents reveal other potential focus areas for financial well-being programs. For example, those with low financial stress were much more likely to know their credit score, use a personal budget, understand their debt-to-income ratio, and have six months' living expenses saved than those with high stress. Programs that teach these basics or provide pertinent services could help close these gaps.

Percentage of Respondents Who . . .	Low Financial Stress	High Financial Stress
Know Their Credit Score	91%	73%
Use a Personal Budget	57%	39%
Know Their Debt-to-Income Ratio	60%	31%
Have More than 6 Months' Living Expenses Saved	51%	7%

## The Industry Considers the Implications

Benefits advisors and service providers have already begun the transition from narrowly focused retirement education programs to more integrated financial well-being efforts. Savings-oriented engagement strategies must balance immediate debt, family support, and consumer-driven healthcare costs with long-term investment needs. That said, there remains a risk that employees may be overconfident in the state of their retirement savings and continue to need retirement readiness education. A deeper analysis can identify who may be off track, and why. An effective strategy requires a careful review of employee demographics and behaviors.

### Respondent Profile

Gender	
Male	56%
Female	44%
Age	
Under 35	23%
35 to 49	37%
50+	39%
Gross Income	
\$100,000+ Respondent Spouse/Partner	16% 9%
\$70,000 to \$99,999 Respondent Spouse/Partner	18% 15%
\$50,000 to \$69,999 Respondent Spouse/Partner	23% 20%
\$20,000 to \$49,999 Respondent Spouse/Partner	44% 56%
Marital Status	
Married	62%
Single, Never Married	19%
Divorced or Separated	9%
Not Married, but Living With a Partner	8%
Widowed	2%
Education	
High School Graduate or Less	4%
Some College/Trade or Business School	23%
College Graduate (4-Year Degree)	51%
Graduate or Professional Degree	22%

Survey conducted by Greenwald & Associates, 2016

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