

**Mr. Kai Walker, Director, Head of Inclusion Transformation, Bank of America**  
**Written Statement for U.S. Department of Labor’s ERISA Advisory Council**  
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Bank of America is one of the largest providers of benefit plan services in the country, serving more than six million American workers. From our clients and through our research, we have learned that too often, day-to-day financial challenges hinder long-term financial success. Employers need support in helping their employees plan, save and take control of their future, and they have broadened their definition of financial wellness. As a testament to this need, we have seen significant interest in our Financial Life Benefits®, our workplace benefits offering where traditional longer term retirement and health care savings goals are addressed alongside short-term financial needs, with banking and investing solutions, all guided by financial education and professional guidance.

Over the past decade, we have seen the number of employers who offer comprehensive workplace benefit programs expand dramatically. We have also seen an increase in diversity. More young people, women and people of color are entering the workforce, and diverse workforces have more wide-ranging needs. The common thread is that they are looking to their employers for help in achieving their goals.

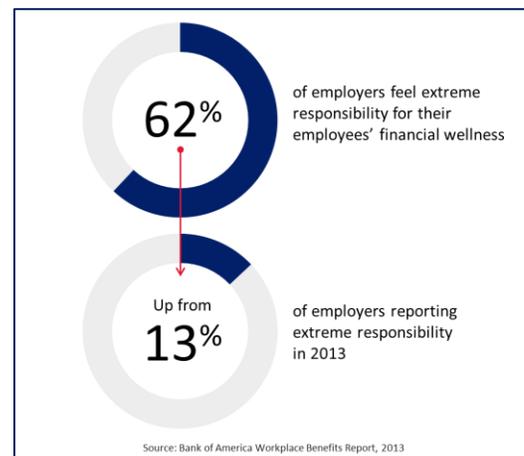
I am pleased to appear before the ERISA Advisory Council as you examine gaps, and their underlying causes, in retirement savings experienced by people of color, ethnic minorities, and women. Like the Council, we at Bank of America have taken great interest in examining the many and growing challenges our diverse populations face in achieving retirement security, and what actions we can take to address these challenges and improve retirement outcomes.

I'd like to kick off the discussion by sharing some high level trends related to workplace benefit financial wellness programs, employer engagement in sponsoring these programs, and how employees are feeling about their levels of financial wellness. This research comes from our annual proprietary research on workplace benefits. Secondly, I'll highlight research we conducted at the end of last year with clients from across our organization. This research has enabled us to explore more detailed data related to the challenges facing our diverse clients and communities in achieving

retirement financial security. Finally, I'll conclude my comments by sharing some of the solutions and resources we've developed, informed by our research, which is helping narrow the retirement security gap among working Americans.

In our consideration of financial wellness programs, we define a financially well individual as someone who (1) effectively manages day-to-day expenses (2) has a handle on debt, and (3) saves for future goals while protecting against unexpected events. Based on this definition, for our retirement plan clients and their employees, we organize our financial wellness resources – including a financial wellness score and next best actions - based on three key “pillars” that address (1) planning and investing (2) managing debt, and (3) preserving and protecting assets.

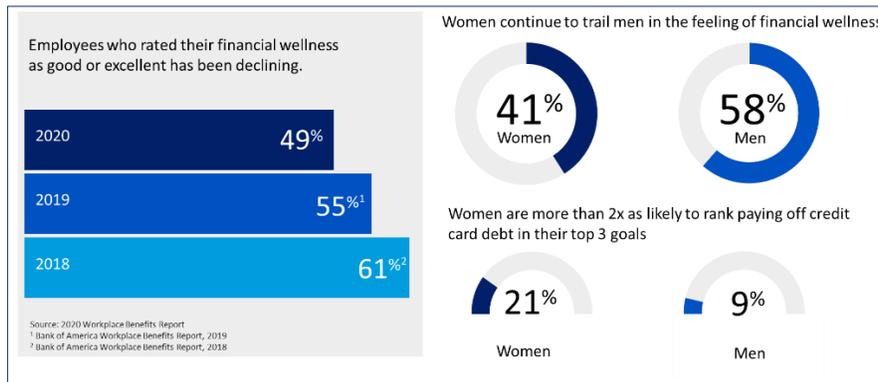
As it pertains to employers, we're seeing a significant increase in the responsibilities employers take in helping their employees feel financially well. Since we first asked employers, the number that feel an extreme responsibility has grown more than fourfold, increasing from 13% in 2012 to 62% in last year's study.



Employers’ sense of responsibility is even greater when it comes to retirement-related topics. Today, the majority of employers understand that helping their employees on the path toward financial wellness is not a “nice to have,” but an integral part of how they attract and retain talent in a landscape of changing demographics, as well as ensuring a workplace that is productive and can thrive.

## Employee feeling of their financial wellness has declined

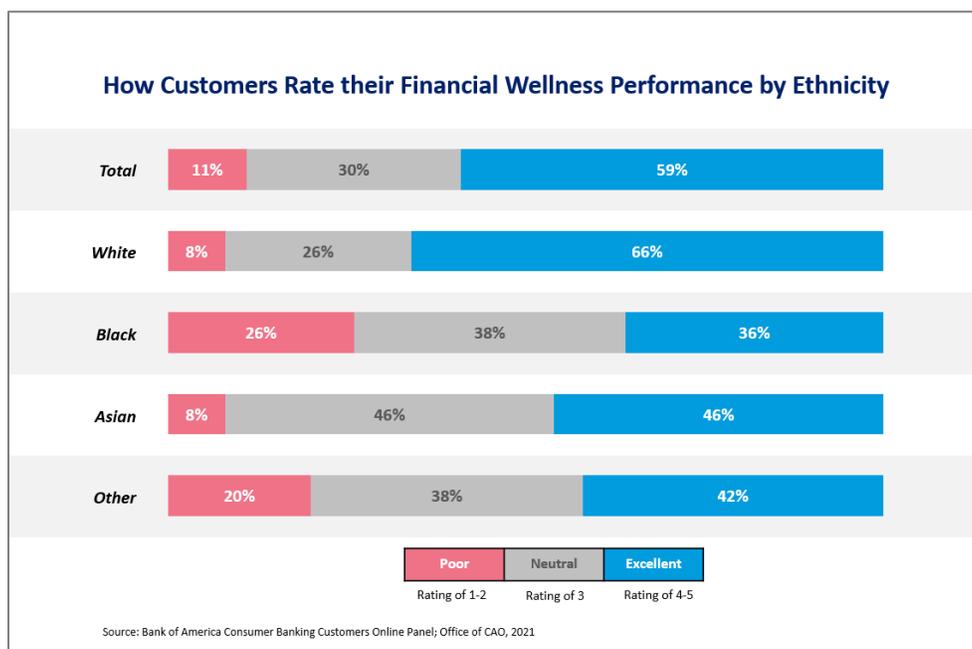
While we've seen a sustained increase in the *offering* of financial wellness programs at the workplace, overall feelings of employee financial wellness has declined. According to our research, the percent of employees who self-rated their financial wellness as good or excellent has declined from 61% in 2018 to 49% last year.



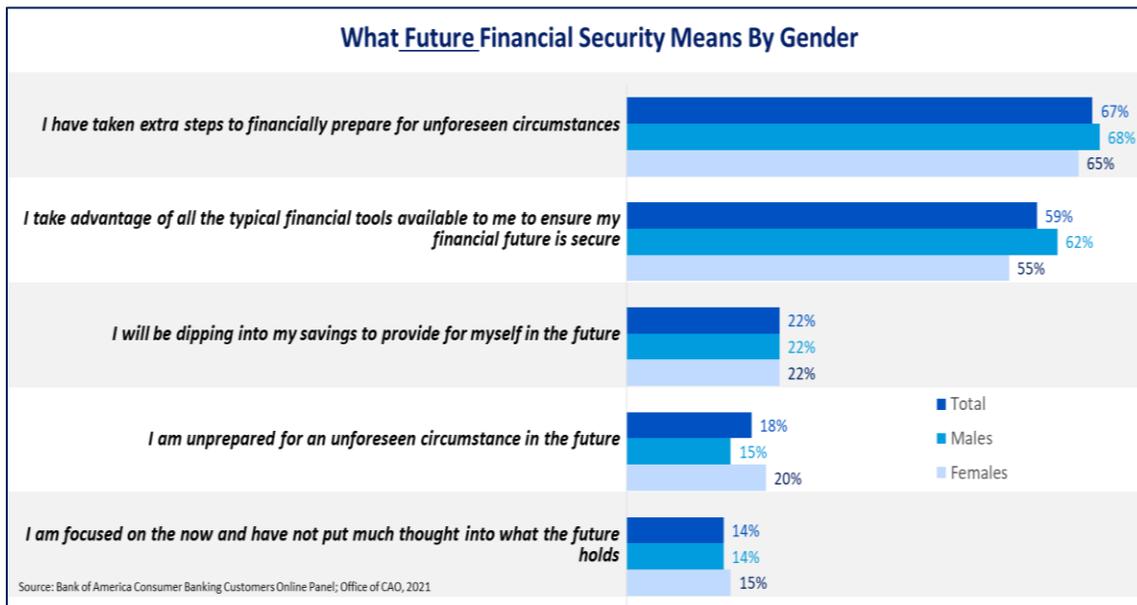
Financial wellness programs need to accommodate the fact that different employees may need different levels of support. For example, women tend to lag their male counterparts (41% vs 58%) in feeling financially well — exacerbated by the fact that women often make less than their male counterparts and are more likely to take time out of the workforce to raise a child or provide care for a family member. In addition, women are more than twice as likely to rank paying off credit card debt in their top 3 goals.

We know that financial wellness is influenced by a wide range of factors and can fluctuate over time as goals and priorities change. So the goal of any financial wellness program should be to promote good habits and positive financial decision making to help employees navigate changing situations, which is even more important as the coronavirus created new challenges to employees maintaining their financial well-being.

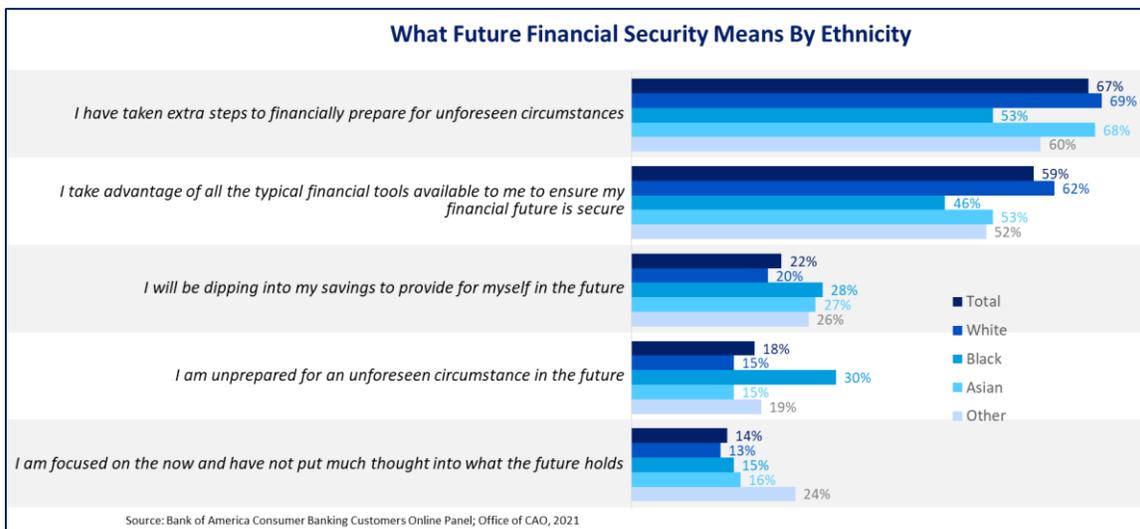
When exploring perceptions of financial wellness by ethnicity we see that 66% of Whites rate their financial wellness as excellent; they are the only cohort exceeding the overall financial wellness total of 59% rating as excellent. The group that had the lowest number rating their financial wellness as excellent were Blacks, who also rated their financial wellness as poor more than twice as often when compared to the general population and more than three times as often when compared to Asians.



When we look at the perceived measure of financial security (as measured by having control over daily expenses and the ability to handle an emergency) by gender, we see that 55% of women say they are taking advantage of financial tools to secure their financial futures yet 20% say they are unprepared to address unforeseen circumstances. Given the unique nature of a woman’s financial journey, this may call into question the types and effectiveness of financial tools currently available and whether they fully address the needs of women.



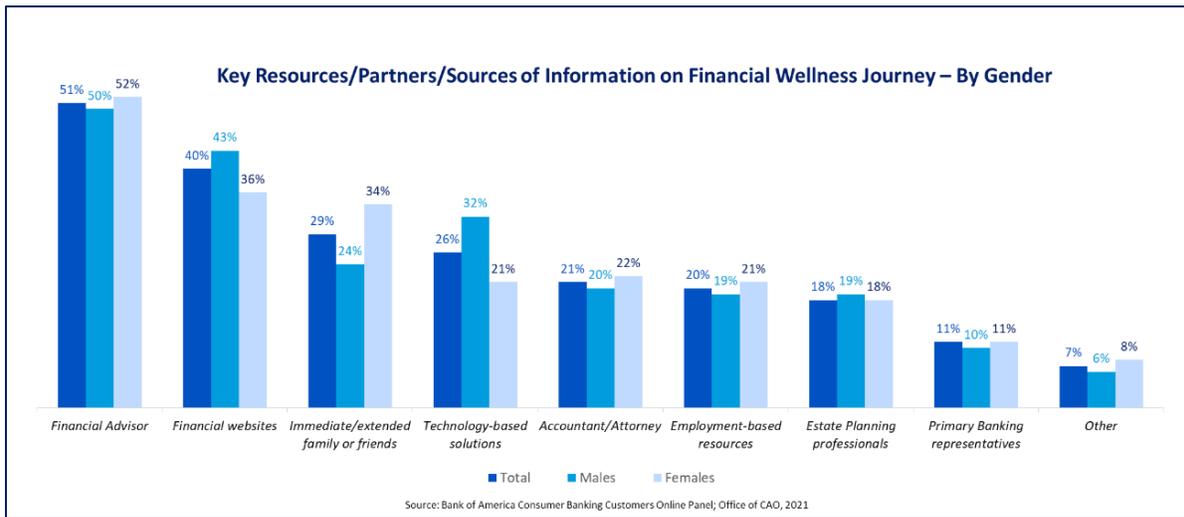
We examined this same question of financial security by ethnicity. Only about half Black respondents have taken steps to prepare for unforeseen circumstances and leverage typical financial tools. Alarming is that 28% say they are dipping into their savings to provide for their future, followed closely by Asians, both at rates nearly 40% higher than Whites.



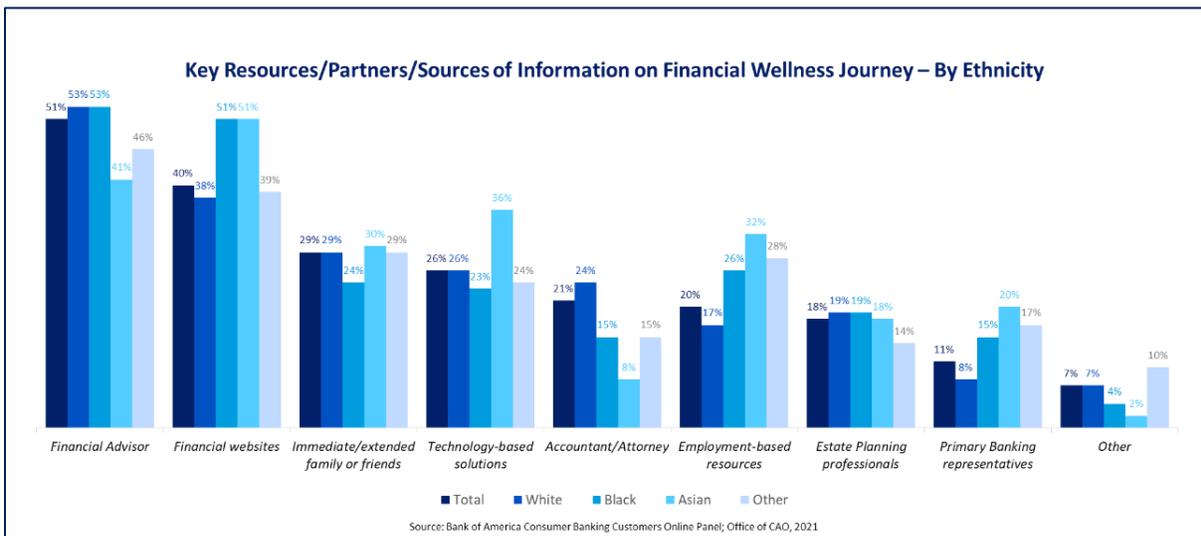
## Financial wellness resources employees value most

In light of these perceptions and challenges, it’s important to know what resources would be most valued by employees. In exploring this question by gender we see that access to a financial advisor and financial websites are viewed as the top sources for information. However we also see that compared to women, men are more likely to leverage tech-based solutions while women are more likely to rely on their social networks for information.

We shouldn’t view this information as an either-or in terms of preferences, but rather a both-and. For example, a woman’s selection of a tech-based solution may be the result of a validation from her social network.



Taking a look at the same question by ethnicity we see that financial advisors were equally noted as top resources for both Blacks and Whites, while financial websites were highlighted as the top resource Asians, as well as a close 2<sup>nd</sup> for Blacks. Noticeably, ethnic minorities cited Employment-based resources at higher levels compared to Whites.



### Holistic, end-to-end financial wellness framework is needed

Employer strategies for resources and support starts with understanding employee demographics, assessing needs, where and how they need assistance and how that assistance can be delivered. When it comes to solutions to address the needs and challenges of diverse segments, it's critical for employers to consider complete, holistic, end-to-end financial wellness frameworks for their employees that include basic considerations.

- The top financial goal for nearly all groups is retirement security. Many struggle with simply understanding how much they'll need in their retirement years and what they can do now to put them on the path to achieve financial retirement preparedness.
- A large portion of the population struggle to simply meet day-to-day expenses and manage current debt. Understanding barriers to making good decisions for short and long term financial goals, and nurturing good financial habits, is critically important to driving behavioral change.
- Common to all individuals is a desire for professional assistance, which in our research was the most valued resource, with 41% wanting advice from a professional, and 3 in 4 saying they would be comfortable sharing their financial information as part of an employer offered program. Topics employees want to discuss with a financial professional cover both short-term and long-term goals - retirement savings, healthcare planning, debt management, and everyday budgeting and saving.

## Financial wellness programs need to be holistic, personalized and actionable

In creating engagement and producing successful outcomes with wellness programs, personalization is becoming more important, and the quality of the user-experience is equally important. Tools that meet individuals where they are, help them understand how to set goals, and monitor their progress in a manner that motivates and compels action are vital.

As digital engagement evolves to leverage the power of artificial intelligence, the participant experience is becoming personalized to one's financial journey, with corresponding prompts and nudges that are contextual and specific to the employee, making for a unique and compelling experience.

I'd like to now highlight a few examples of some of the tools that we're making available today, to demonstrate resources that have proven to be impactful and drive change.

As Bank of America is dedicated to helping every client pursue a lifetime of financial wellness, we have constructed a suite of services – from digital personalized engagement, to a financial wellness program, to multi-media education that considers life journey differences (e.g. gender, ethnicity, generation, marital status) to access to one-on-one professional advisor resources.

Integrated within our online digital experience for retirement plan participants, we've designed an engaging financial wellness personalized experience called the Financial Wellness Tracker, which is comprised of a self-assessment questionnaire, personalized score and suggested action plan intended to help nurture good financial habits.

The score is based on responses to questions, as well as some underlying calculations, and is evaluated against the attributes of a financially well individual, taking into account personal information such as age, dependents, income, savings and expenses; and the financial behaviors they exhibit in their 401(k). More than 9 in 10 participants that start the assessment complete it to get a score and action plan. Even more encouraging is that we are seeing increasing numbers of participants who receive an action plan complete at least one action item.

The Financial Wellness Tracker addresses the two main questions most people have: How am I doing? What should I do next? While the average financial wellness score is just over 63 (out of a possible 100), we do see differences between men and women – a gap of 9 points - as well as employees who are single compared to those who are married.



The Financial Wellness Tracker works in tandem with another powerful tool, Personal Retirement Strategy, which uses Artificial Intelligence to personalize an experience that helps establish and pursue retirement income goals. Personal Retirement Strategy helps retirement participants:

- Evaluate how certain decisions could affect retirement savings and income
- Establish personalized goals-based asset allocation recommendations
- Develop a long-term retirement income strategy based on total income sources and goals
- Take actionable steps to prepare for and stay on track for retirement

Significant efforts are made by employers and providers alike for employees that participate in benefit plans. However, there are large segments of the population that are not participating. Auto-enroll and auto-increase programs have been a huge help in this respect, however there are many who remain financially challenged resulting from more immediate needs and more pressing priorities such as paying down debt, assisting family members, tending to caregiving responsibilities or simply living paycheck to paycheck to just cover basic needs.

Bank of America's response to address this is our Corporate Employee Banking and Investing Program - a comprehensive program for our corporate clients that delivers support for the full range of employee financial needs. Employees can benefit from taking a more holistic approach to their finances, so we work with employers to deliver a packaged offering of services and solutions for everyday banking and investing needs, combined with exclusive rewards, financial education and dedicated support. Companies are seeing the value of supporting their employees across their full financial lives, and participation is encouraging good financial behavior among employees.

### **To close the gap, we must do better**

While we have seen progress in helping individuals prepare for retirement, many participant resources and wellness programs still take a 'one size fits all' approach, and so there remains more to do to close the gap in retirement savings for certain employee groups, most notably women and ethnic minorities. The good news is many employers have made commitments to diversity and inclusion at the workplace, and as such are beginning to review retirement benefits through a diversity lens to better prepare employees for retirement.

To support these efforts, plan sponsors have expressed an interest in analyzing plan demographic data to identify disparities in plan utilization and outcomes by diverse employee groups. To the extent possible, their goal is to take specific action which will help target and mitigate the identified disparities, and enhance the retirement security for all of their employees. The challenge remains in that plan sponsors are limited in the actions they can take. Today they provide broad-based education and communication for all; whereas what is needed is a targeted approach that builds education programs around the specific financial needs, priorities and preferences of various employee groups.

### **Summary**

- To have a chance at eliminating gaps in retirement savings among diverse groups, our industry must find a way to acknowledge an individual's race, ethnicity and gender and consider it as retirement planning tools and information are developed and rolled out to employee populations.
- Retirement security as measured by level of financial wellness has been on the decline and is especially true for women, ethnic minorities and people of color. Each group however has noted that retirement preparedness is among their top priorities.
- Employer-based financial wellness programs can play a significant role in helping to further retirement security across the whole of their employee demographics
- In consideration of a financial wellness program, plan sponsors should:
  1. Provide access to tools and resources leveraging personalization tailored to an individual's specific priorities to generate greater financial resiliency and security
  2. Take a holistic view to benefits-consider employees' broad financial lives - long-term goals & short-term needs
  3. Financial wellness resources should be personal and actionable – they should help employees track their progress & nurture good financial habits
  4. Commit to being a diverse & inclusive workplace - offer programs that deliver resources & support for employees across all life stages, genders, ethnicities & experiences
  5. Consider that employees are willing to use financial tools and resources that are provided by a third-party

We, at Bank of America, believe that the best way to help employees achieve retirement security is to offer benefits that embrace digital innovation, deliver inclusive financial wellness resources, and make available comprehensive and integrated financial services.