

# The Role of Emergency Savings in Financial Wellness

In an ideal world, companies support healthy workers — who, in turn, help to create and maintain a healthy business. Employees are engaged, focused, and productive. Clearly, this is a nearly impossible scenario right now in the face of the ongoing COVID-19 pandemic and the pervasive anxiety and uncertainty it brings. Everyone is much more vulnerable physically, emotionally, mentally, and financially. Yet there is one area where employers have great potential to support their employees: improving financial preparedness.

## REAL CONCERNS

LIMRA research reveals that many Americans express significant financial worries as a result of the coronavirus outbreak. Among those surveyed:

**56%** are concerned about the pandemic's long-term impact on their financial security

**32%** earn less income due to decreased hours or reduced pay

**14%** have lost their job since the crisis began

**45%** believe the economic downturn has negatively affected their retirement prospects



## THE STATE OF EMERGENCY

The pandemic's severe impact on employment and finances underscores the need for emergency savings:



**3 in 10**  
workers do not have an emergency savings fund at all



**6 in 10**  
with an emergency fund say it would cover **less than six months of expenses**



**6 in 10**  
workers are interested in a workplace emergency savings account

# WORKPLACE SUPPORT

More employers would like to offer financial wellness options:

**2/3**

are interested in offering employees access to an emergency savings account



Among defined contribution plan advisors:

**3 in 10**

would like to see recordkeepers offer workplace emergency savings alongside retirement plan recordkeeping

*Workers struggling to save for a rainy day are increasingly likely to get help from their employers.<sup>1</sup>*

THE NEW YORK TIMES

## MANY APPROACHES

A number of different strategies can address the emergency savings gap:



### An in-plan option.

This supplements an existing workplace retirement plan, and it is intended to prevent employees from dipping into their actual retirement savings.



### A "sidecar" solution.

Here, a company would offer an option essentially alongside an existing retirement plan (but not within it).



### Online.

There are apps available specifically built to facilitate effective savings behaviors.



### Insurance.

For owners of a whole life policy with a cash balance, they are able to access those funds during difficult financial circumstances.

**Payroll deduction** is one way to offer emergency savings accounts. Employees choose an amount to be withdrawn from their paycheck, after taxes. They can access funds, without penalty, whenever they wish. Employers can offer this option during typical benefits enrollment.

## ABOUT THE DATA

The statistics cited here originate from recent LIMRA research, including the 2020 Consumer Survey, 2020 Employer Study, and 2020 Defined Contribution Advisors Survey. To learn more, please visit [www.limra.com](http://www.limra.com) or contact us at [asalka@limra.com](mailto:asalka@limra.com).

<sup>1</sup>"More Workers Get Help in Building Rainy Day Savings," *The New York Times*, November 6, 2020. <https://www.nytimes.com/2020/11/06/your-money/payroll-deduction-emergency-savings.html>