

Podcast: Meghan Murphy - Financial Wellness Markers

MICHAEL SHAMRELL: Welcome, everyone. My name is Mike Shamrell; this is the Fidelity podcast series. Thank you for joining us. Today we are going to be speaking with Meghan Murphy, who is director of thought leadership here at Fidelity. She's going to be sharing some insight on a recent financial wellness effort at Fidelity, as well as some research we recently conducted to examine how people are doing in terms of their overall financial health and financial wellness. So Meghan, thanks for joining us.

MEGHAN MURPHY: Happy to be here. Thanks for having me.

SHAMRELL: So first and foremost, I thought we could take a step back and talk about what financial wellness is. This has been a topic that has been out in the media a lot; it's definitely a very hot topic in the workspace right now. But I think there's a lot of people who may not know exactly what we mean when we say financial wellness. So can you give us a quick synopsis of what exactly -- what you consider the definition of financial wellness to be?

MURPHY: Yeah, so I would start off by saying that financial wellness is personalized. My idea of financial wellness may be based on my goals or my thoughts or how I feel about money, and that's the really important part to our definition. So it definitely has to do with budgeting -- how people spend their money. It has to do with savings: how much you're saving, where you're saving. We certainly have to look at the amount of debt and the different types of debt people have. And we also want to look at what we call protection. How are you protecting your assets? Do you have an emergency fund? Do you have enough healthcare insurance? But the really important part is, we also have to account for how people feel about their money -- what their goals are for the future and what their expectations are that they're going to do with that money.

SHAMRELL: OK. So it's a little bit -- it sounds like it's a little bit more of an all-encompassing view of what your financial situation looks like, as opposed to how much have you saved, and are you, you know -- how close are you to a certain goal that you're shooting for?

MURPHY: Yeah, the way we like to think of it is we look at how people are doing and how people are feeling. And together those create a holistic financial wellness score.

SHAMRELL: Gotcha. OK. So tell me, why are companies focused on this now? Why has this become such a hot topic?

MURPHY: I think -- the trend that we're seeing is, you know, it's not surprising to all -- for most people, gone are the days of a pension. And I think with that comes a feeling for employees that they're responsible for saving for what could be 20, 25 years of retirement. That causes some stress sometimes.

SHAMRELL: Right.

MURPHY: And employers are noticing that. They absolutely recognize that people are bringing their financial stress to work.

SHAMRELL: OK.

MURPHY: Part of our research¹ found that 28% of people say that they are distracted at work by financial matters, and it can lead them to perhaps be less committed to their job, less productivity on their part, and perhaps --

SHAMRELL: Sure. You're less focused, yeah.

MURPHY: -- more absenteeism, you know, based on the issues they're dealing with with their money.

SHAMRELL: OK. Right, right. So let's then talk about this new financial wellness measure that Fidelity's rolling out. Can you give us a little bit of detail on that?

MURPHY: So Fidelity has created a way for people to measure and track their financial wellness we're calling the Fidelity Financial Wellness Score. And it really goes through -- it asks some questions about your spending, your debt, your savings, the types of protection you have. We also ask questions about how you feel about each of those categories. You know, are you feeling really stressed about your debt? And then in the end, after answering the questions through the My Money Checkup, people are given their Financial Wellness Score. We're not just giving a score, though; we're also linking that to -- what are the next steps to take based on what you've told us? So want people to be able to take action quickly --

SHAMRELL: Right, exactly.

MURPHY: -- to improve that score.

SHAMRELL: Right. Because it's one thing to tell them "here's how you're doing," but then you also need to follow up with, "And here's what you can do to improve where you're at right now."

MURPHY: Yes. Yes, that is the goal.

SHAMRELL: I know that you applied this to some actual people, and, you know, their financial situations, and came up with some results of how people were on the overall scale in terms of their financial wellness. What were some of the key findings from that research?

MURPHY: Key findings that really jumped out to me were Gen X really could use a confidence boost. They're at a time in their life where they're dealing with a lot. You know, they're raising their own kids while perhaps still paying down their own student debt; in many cases we're being -- you know, we're hearing that they are caring for elderly parents, while in the prime of their career and trying to pay a mortgage and save for the future. So there's a lot going on for Gen Xers. Employers are taking note of this as well, so absolutely looking to create solutions that can help build their confidence and help get them on a path to financial security.

SHAMRELL: Anything else? What else jumped out at you from the results?

MURPHY: I would say student debt is absolutely an issue that comes up time and time again.

SHAMRELL: Right. Right.

MURPHY: People, especially younger millennials, they don't feel great about student debt. I would say the good news is as they get older, people start to pay off that student debt, and you have other priorities that come up, and you do start to feel better about it.

SHAMRELL: OK.

MURPHY: Boomers especially, we saw that as they started to pay off some of the debt that exists in life.

SHAMRELL: Yeah.

MURPHY: They start to report higher levels of confidence with their money.

SHAMRELL: Right.

MURPHY: One really interesting fact that we saw was, we asked people, "Do you have to be financially secure to be happy?" And 57% of people said "Absolutely yes. If I am not financially secure, I will not be happy."

SHAMRELL: Right. Right, yeah.

MURPHY: So that's good for us to know. People want to improve their financial situation.

SHAMRELL: Exactly, yeah. Right, right. Now, what about women? I looked a little bit through the information, and there were some interesting findings in terms of women and financial security; what can you tell us about that?

MURPHY: Yeah, we've discussed in the past, Mike, you and I, and with employers and participants alike, that women tend to lack financial confidence. Perhaps we were brought up thinking, "Oh, you don't talk about that." So we're really working hard to help improve financial confidence for women. They are doing great; they're very engaged. Where we saw the least confidence when it came to, you know, financial scores, was surrounding women in Gen X who were perhaps divorced.

SHAMRELL: OK.

MURPHY: So absolutely looking to provide solutions for that subset. And there are articles available today that talk about, you know, "What do I do leading up to a divorce? What do I do post-divorce?" So I think the key there is really engaging them and helping them to know that we are here to help.

SHAMRELL: Right. Right, right. This sounds fascinating. I think it's going to be really useful for a lot of people to really be able to examine not only how they're doing, but also kind of how they feel like they're doing, more or less. I really like the subjective and the objective that went into some of the research.

MURPHY: Yeah, and I would note that there's absolutely people who are doing really good when you look at the numbers, but they don't feel great about their situation.

SHAMRELL: Right.

MURPHY: So there's definitely opportunity to help there. And on the flip side, there's people who maybe aren't doing so great and perhaps are a little overconfident, so helping them to understand where they really do stand and what steps they can take.

SHAMRELL: So Meghan, how would someone find out what their Financial Wellness Score is? How can they go about getting that information?

MURPHY: Yeah, so we have actually incorporated it into a tool that already exists here at Fidelity, so come this summer they will be able to go to [Fidelity.com/mymoneycheckup](https://www.fidelity.com/mymoneycheckup), answer a series of questions, and get their score.

SHAMRELL: Great. Well, I know this is a big focus for Fidelity, so can you tell us anything about what's next in terms of financial wellness, like kind of what's on the horizon?

MURPHY: Right. So the Fidelity Financial Wellness Score will be integrated into our My Money Checkup, so come this summer people will be able to go out there, get their score, and

work towards the action steps that they're provided. I would say what we're also looking at are -- what are those moments in life that really matter?

SHAMRELL: Right.

MURPHY: That not only trigger financial decisions, but maybe link to an emotional decision or a decision regarding someone's job? What's going on in people's lives that also impact their finances? And this is -- I mentioned earlier, we've heard a lot about eldercare, and the stress that that not only puts on someone's life but their finances and their job. So really looking to continue our research to figure out, you know, what's making people tick and how can we help?

SHAMRELL: Meghan, this has been fascinating. I think this is some really great research. Hoping that this will have a real positive impact on a lot of people when it comes to their overall financial health and financial wellness. Thank you very much for joining us. We've been joined by Meghan Murphy, who is director of thought leadership here at Fidelity. She's been talking about a new financial wellness score that Fidelity just recently rolled out. This has been the Fidelity podcast series; I am your host, Mike Shamrell. Thank you for joining.

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¹ Fidelity Financial Wellness Score developed by Fidelity Strategic Advisors Inc., a registered investment adviser and a Fidelity Investments Company. The score is based on insight from the Financial Wellness Research Survey of 6k+ active Defined Contribution (DC) plan participants recordkept by Fidelity, who have input into household financial decisions. The score is based on a comprehensive review of the households' financial situation including their incomes, spending, savings, debts, insurances, etc. and was conducted in partnership with CMI Research, an independent third-party research firm. July 2016