

# Seminar on Current Issues in Retirement Benefits

Venue: Mumbai

Date: 5th Sept, 2019

## Long Term Financial Security- A Consumer's Perspective



Institute of Actuaries of India

Speaker: Mrin Agarwal

Founder, Finsafe India Private Limited

# Agenda



- The need for Financial Wellness Programs
- Financial Profile of Households in India
- Financial Priorities & Worries of Individuals
- Finsafe Observations on current state of financial wellbeing of individuals
- Present State of Employer backed programs
- Building effective financial wellbeing programs

Financial Wellness is the state of living in which your wellbeing is measured by quality of your life, not by your wealth.

# The need for Financial Wellness Programs

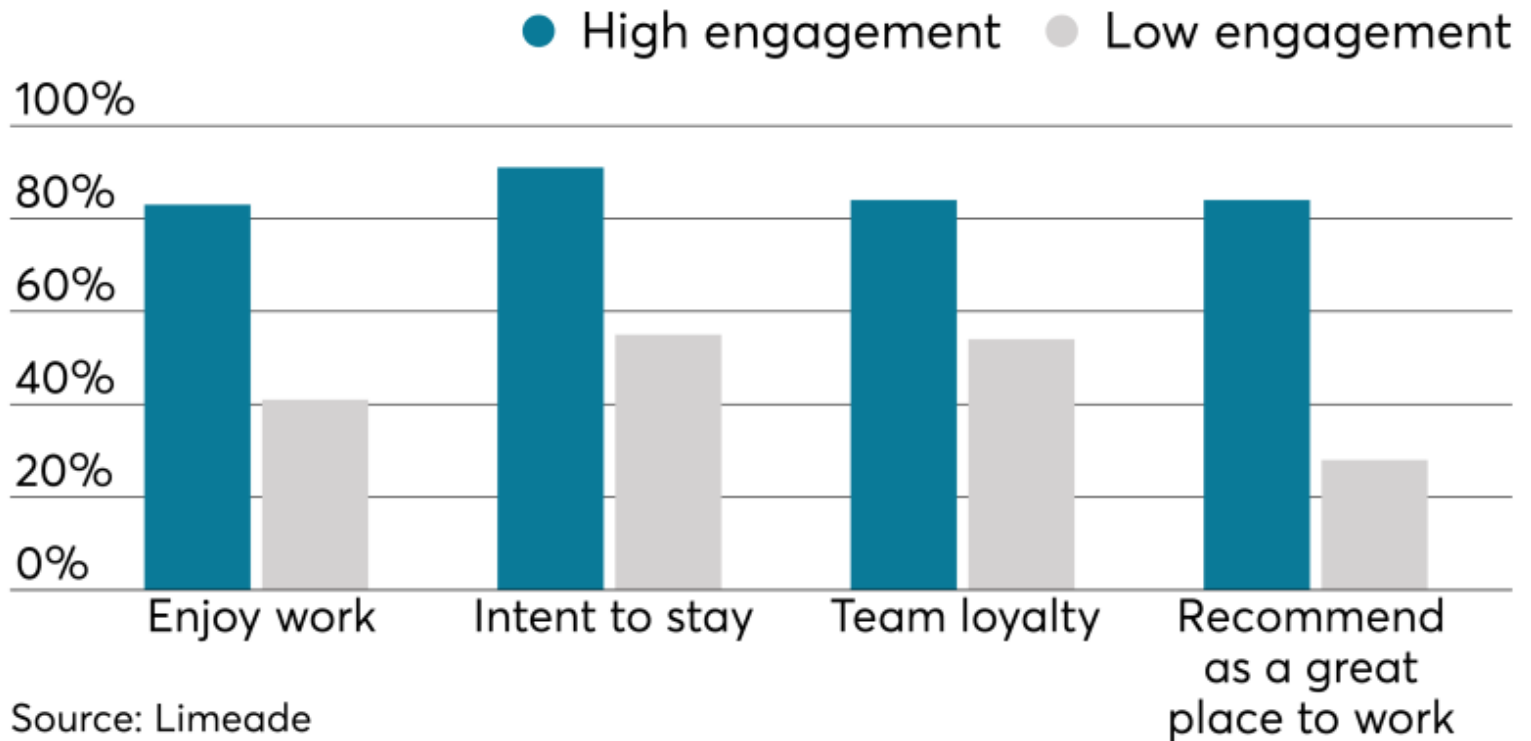


## Financial Stress in the Workplace

<b>Health</b>	<b>4 in 10</b> Had health issues or lost sleep due to financial stress	<b>\$400</b> Annual increase in healthcare costs per stressed employee due to financial stress
<b>Productivity</b>	<b>3.6</b> Hours per week spent managing personal financial issues at work	<b>3 in 10</b> Say financial stress impacted their job performance
<b>Workforce Management</b>	<b>34%</b> Tried to find another job to increase financial stability	<b>54%</b> Say they will have to delay retirement because they haven't saved enough

Source: Wellness Programs earn their place in human capital strategy by Prudential

# How wellness engagement impacts workers



# Benefits of Financial Wellness Programs for Corporates

## REDUCES ATTRITION & ABSENTEEISM

Employees are seen switching jobs for minor change in remuneration, mainly due to high lifestyle expenses and excessive borrowings.

## CORPORATE SEEN AS CARING ABOUT EMPLOYEE WELLNESS

Commitment to a company is driven by nature of benefits offered.



## DECREASES DISTRACTIONS, INCREASES PRODUCTIVITY & MAKES WORKERS MORE FOCUSED

Employees financially stressed spend time dealing with these issues and digress from work.

## EMPLOYEES WANT IT!

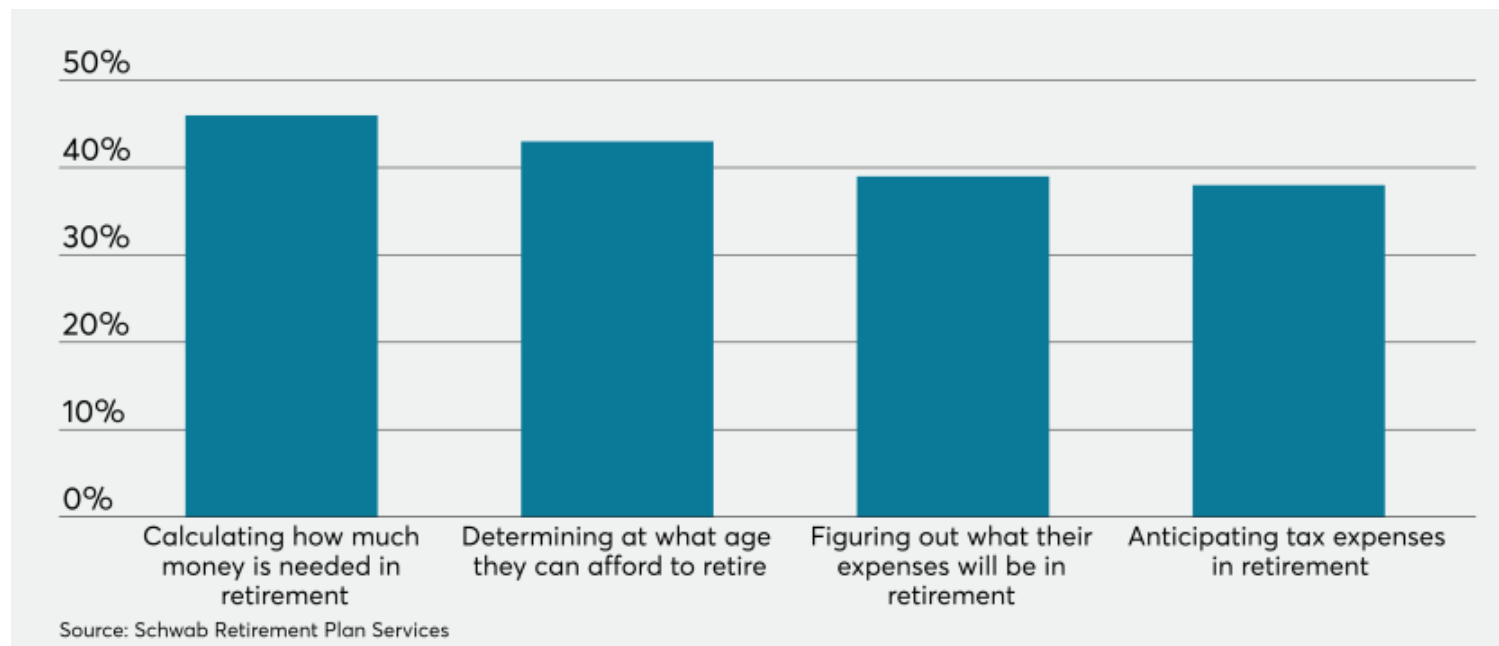
Confused about financial matters. Need Unbiased information from an agnostic firm without business interest.

## REDUCES HEALTHCARE COSTS

Improves physical and mental health.

# Employees Want it!

Retirement goals employees set they want help reaching



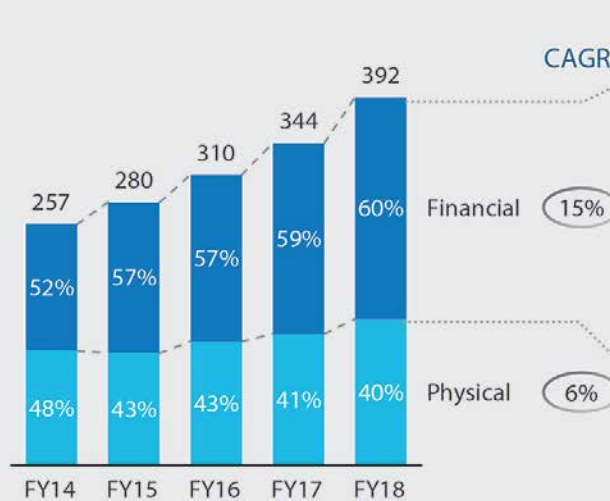
# Financial Profile of Indian Households

## (Re) financialisation of Savings

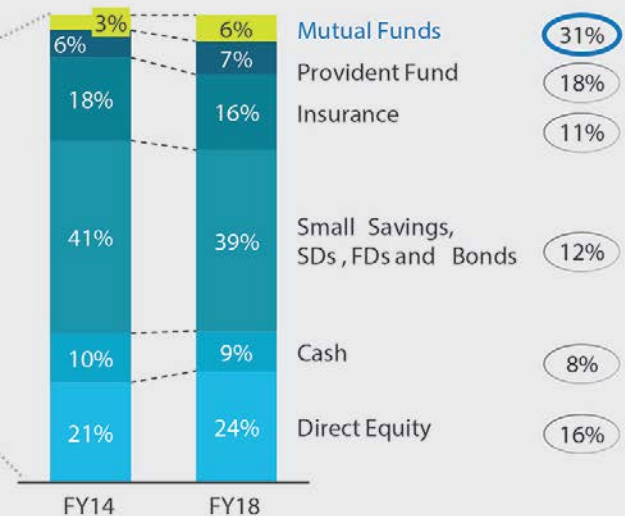
 SHARE OF FINANCIAL ASSETS HAVE BEEN INCREASING...

 ...MUTUAL FUNDS GROWING WITHIN FINANCIAL ASSETS

Yearly Gross Household Savings in India (Lakh crores)



% Gross Household financial savings

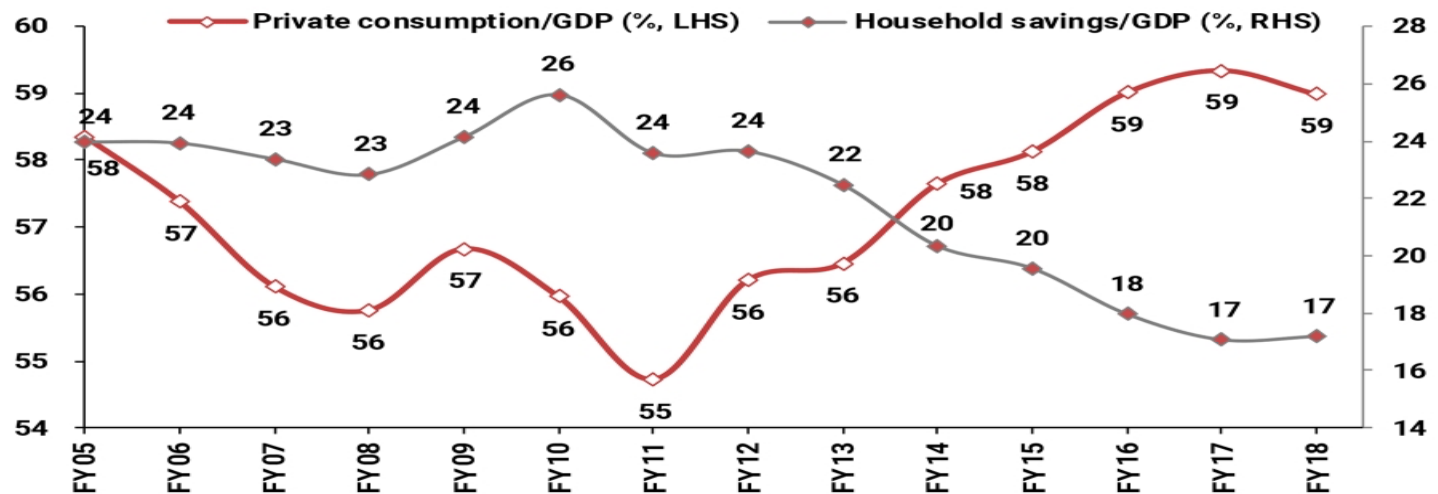


Sources: Karvy Wealth Report '14 '15 '16 '17 '18.



# Financial Profile of Indian Households

Share of Private Consumption has increased as Household Savings Rate has fallen

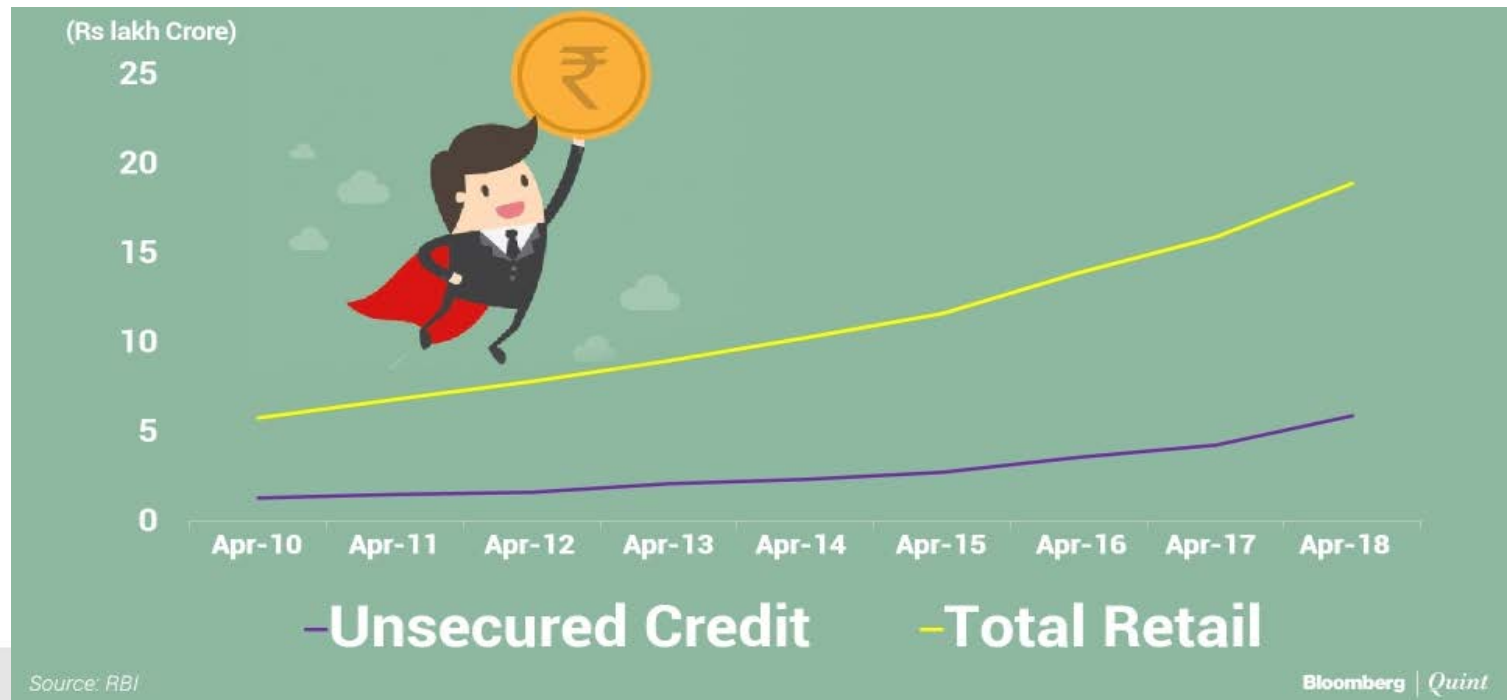


Source: Kotak Institutional Equities estimates

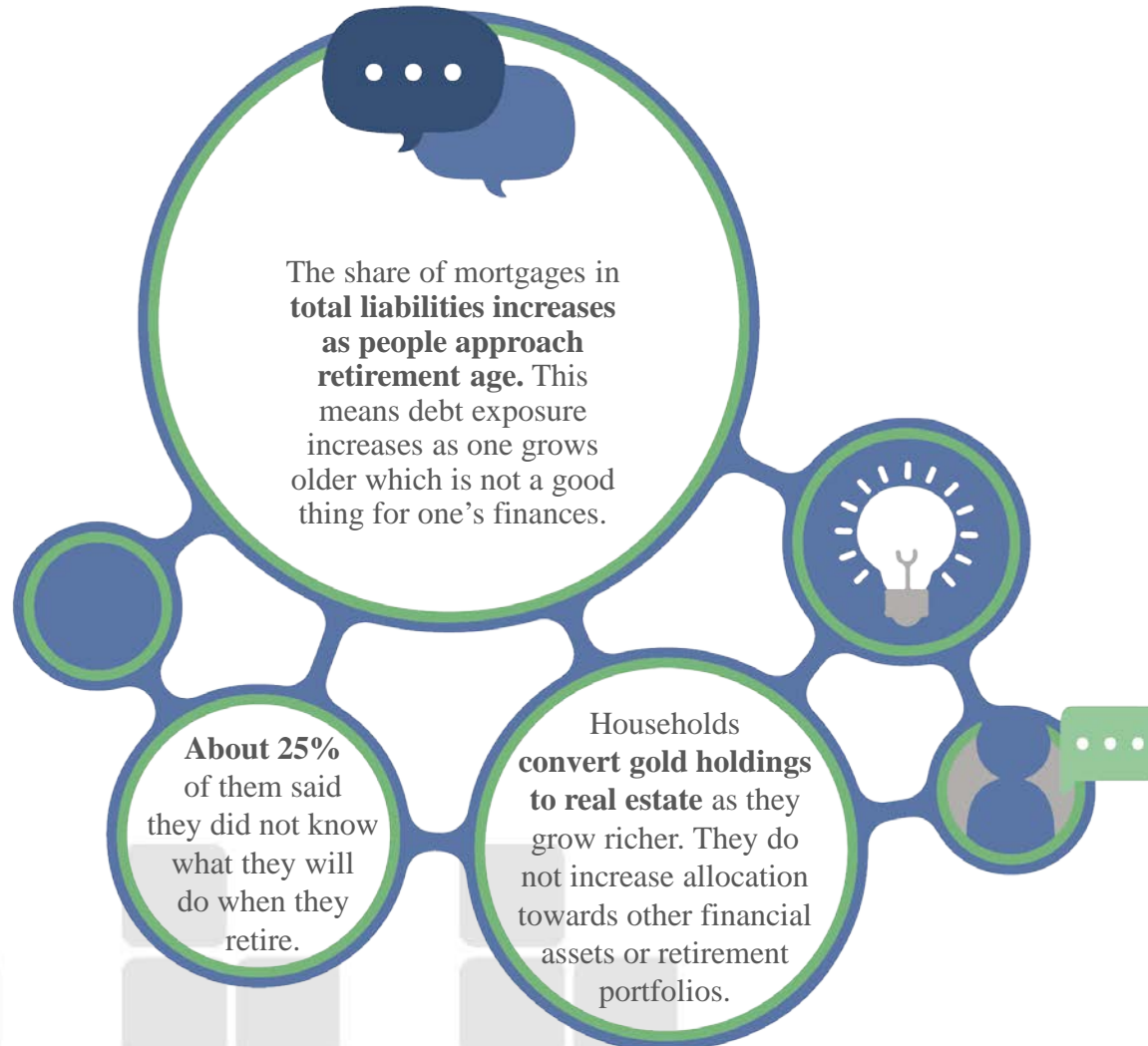
Bloomberg | Quint

# Financial Profile of Indian Households

Unsecured loans grew faster in the last three years

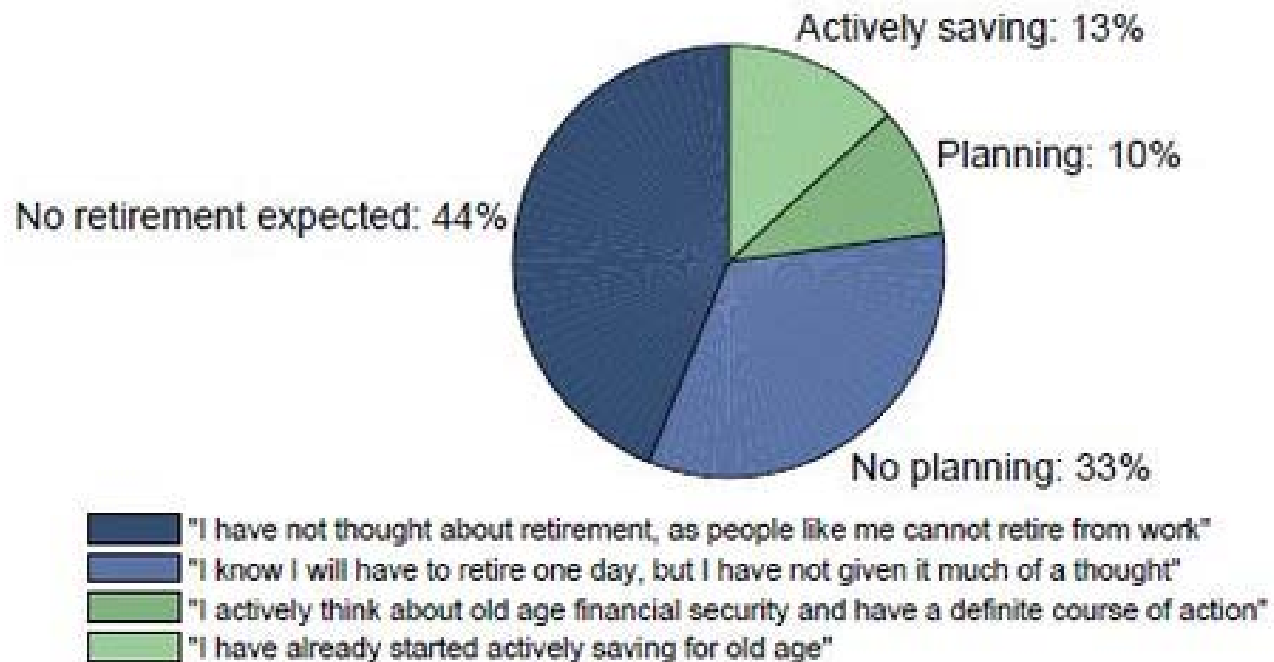


# Retirement planning behaviour by Indian Households



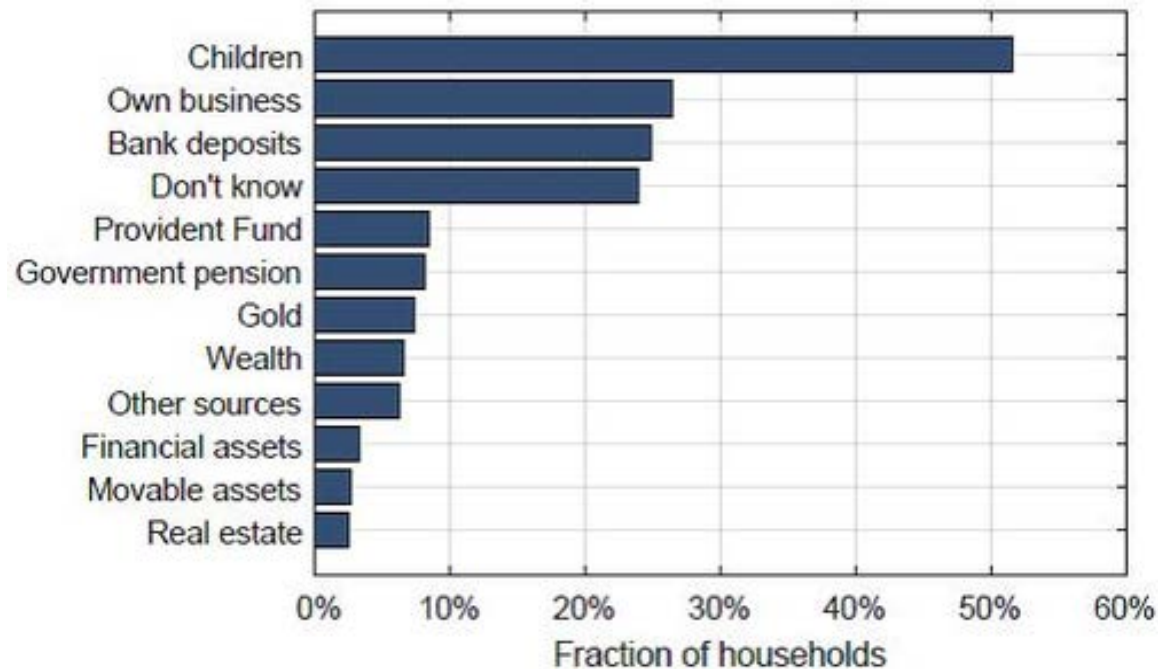
# Retirement planning behaviour by Indian Households

## Planning for retirement



# Retirement planning behaviour by Indian Households

## Sources of funds in retirement



RBI- Report of household finance committee - 2017

# Financial Priorities



- Financial Security for family
- Main goals – children education & retirement
- Aspirational goals important
- Early retirement
- Tax Planning

# Main Worries



- Do not know how much is enough or if they have enough for their financial goals
- No idea of amount to be saved for goals like child education/retirement
- Not enough knowledge on how products work
- Do not know whom to reach out for queries
- Too many loans, especially unsecured loans
- Unable to repay debt on time

# Finsafe observations on current state of financial wellbeing

- Less than 25% of income being saved
  - Lifestyle Expenses & loans
  - High Peer pressure
- No Financial Planning
- Do not take formal financial advice
- Adhoc investing
- Employees need handholding
- Women do not prioritize money management
- Low product knowledge
- Low life and health insurance
- Emergency Cash not present



# Finsafe observations on current state of financial wellbeing



- Investing in traditional instruments which do not beat inflation
- High return expectation
- Do not want to take risk
- Short term focus only
- Goal values very high
- Too much focus on Tax planning
- Not convinced about market linked products
- Choose low risk or high risk products
- Behavioural traits hamper wealth creation
- Too many loans
- Not keeping family members in the loop

# Present State of Employer backed Programs



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## CARING FOR EMPLOYEES

Financial well-being of employees is increasingly becoming an important aspect of employers' well-being strategy



**27%** of employers are most concerned about poor financial well-being among employees

**61%** of organisations have taken at least one action to improve the financial well-being of employees in 2018

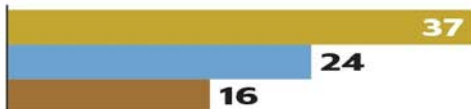
### Specific actions by organisations to improve the financial well-being of employees

■ Offered in 2018   
 ■ Planning for 2019  
■ Considering for 2020-2021 (in %)

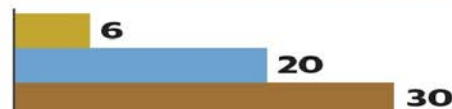
Include financial well-being as a key part of overall employee well-being strategy



Bring third-party vendors onsite as counsellors/educators to promote financial well-being



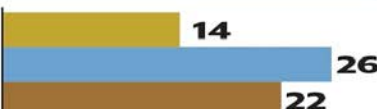
Deliver customised or personalised messages to help improve financial well-being



Have set specific metrics and objectives for company-wide financial well-being strategy



Offer financial well-being assessment tools to help employees identify most important issues



Source: Willis Towers Watson

# What has worked & what has not



- Corporations have had awareness & tax planning sessions
  - Some basic awareness created
  - Limited impact
- Low/ nil budget for the programs
  - Sessions by entities with vested interest
  - Sessions used to promote products
  - Information was biased
  - Information was not holistic
  - Low turnout
  - Programs not deemed important
  - Lack of structured programs

# Why employers play an important role



- Employees trust them
- Demonstrate that employers care for them
- Employees more committed
- Offerings have a multiplier effect on overall wellness
- Employers are embracing financial wellness programs because they can help employees lead richer and more satisfied lives
- Employers are looking at building a stronger, more valuable workforce better able to compete in today's fast-moving economy

# Effective Financial Wellness programs



- Create working groups and conduct surveys to confirm areas of interest
- Financial wellness programs which
  - Manage day-to-day finances
  - Plan for financial emergencies
  - Plan for financial goals
  - Help attain financial freedom
  - Help increase participation in other benefits programs
- Financial Education partners should be unbiased
- Educators with experience in managing money and not product managers
- Driven top down & accorded importance like health related programs

# Effective Financial Wellness programs



- Broader set of tools and solutions focusing on all aspects of Financial Wellness
- Customized programs
- Continuity of programs
- Resources
- Measure Effectiveness of the programs
- Include family members
- Employees to be fulfilled professionally and personally

# How regulators can help



- Government to make financial education part of school life skills curriculum
- Add Financial Wellness to Fit India
- Nudges
- Investor Education Programs to focus on financial planning rather than individual products
- Common resource pool
- Investor awareness messaging on risk associated with products & identifying ponzi schemes
- Common risk disclaimers

The Secret to Financial Security is not to have more money, but having more control over the money we presently have.