

The Promise of Financial Wellness: The Battle to Deliver

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The backdrop

THE CONTEXT

Over the last two to three years, providers of employer financial benefits, particularly retirement plan providers, have enhanced their offerings to include financial wellness capabilities such as assessment tools, debt management solutions, and access to financial coaches and advisors. Employers have been receptive to solutions that can assuage growing employee financial stress, particularly among lower-income and millennial employees. The pandemic is catalyzing increased employer interest in these solutions.

THE STAKES

While financial wellness programs have primarily targeted employers to date, they are badly needed outside the traditional workplace as well, and Aite Group expects the largest financial services firms and newer digital-only models to address this advice gap.

THE METHOD

The research is based on 25 in-depth interviews with a variety of financial wellness providers in the wealth management, defined contribution retirement plan, banking, healthcare, and employee benefits markets.

The market

MARKET TRENDS

- Employers recognize the importance of providing holistic personal finance benefits to employees of all ages to reduce financial stress and improve retirement readiness.
- Retirement plan providers need to expand services to differentiate in a competitive, commoditized market. Asset retention post-rollover is also a key concern for providers with wealth management businesses.

MARKET IMPLICATIONS

- Employers are asking their workplace benefits providers for tools and services that can help all employees with their personal finances and not just those with the financial capability to contribute to retirement plans.
- Retirement plan providers, especially those with wealth management businesses, have a strong incentive to develop financial wellness solutions to retain employer customers and to form deeper relationships with employees.

The market

MARKET TRENDS

- Comprehensive employee benefits providers and retail financial services firms with workplace solutions are vying to acquire and/or deepen relationships with their workplace customers and their employees.
- Employers are asking for financial wellness solutions that can address the needs of employees across the wealth spectrum.

MARKET IMPLICATIONS

- Employee benefit providers, such as Alight and Mercer, as well as retail financial services firms, particularly large banks and fintech firms, are leveraging financial wellness to acquire and retain customers. The workplace is becoming a new and growing distribution channel for multiproduct retail financial services firms.
- Solutions now include guidance, tools, and products to help employees manage debt and cash flow, and build emergency savings. Some providers are also developing better guidance around retirement by incorporating outside investment assets into 401(k) portfolio recommendations and offering additional retirement savings vehicles.

The market

MARKET TRENDS

- The COVID-19 pandemic has increased financial distress for those in and out of the workplace.
- More Americans are comfortable with managing their finances online today compared to pre-pandemic, and more wealth management firms are offering digital advice services using big data to deliver personalized and actionable guidance.

MARKET IMPLICATIONS

- Workplace adoption of financial wellness solutions is accelerating, and Aite Group expects more financial services firms working directly with end clients to roll out financial wellness tools and services. Financial wellness will be the new framework in financial services, bringing an integrating structure and purpose to financial organizations.
- Financial services firms and consumers are ready to engage through a digital financial management platform, and solutions have matured since the launch of the first version of Mint.com. The time is ripe for holistic digital financial wellness solutions to flourish and coach Americans through their financial challenges and opportunities.

The players

RETIREMENT PLAN PROVIDERS, ADMINISTRATORS, RECORD-KEEPERS

Representative firms:

- Bank of America
- Empower Retirement
- Fidelity
- Morgan Stanley

Firm	Founded	HQ	Audience	Financial wellness offer
Bank of America	1998	Charlotte, North Carolina	Workplace and direct to consumer through the Bank	Financial Life Benefits, launched February 2020
Empower Retirement	2014	Greenwood Village, Colorado	Workplace	Financial Wellness, launched November 2019
Fidelity	1946	Boston	Workplace and direct to consumer	Financial Wellness platform, launched October 2018
Morgan Stanley	1931	New York	Workplace	Financial Wellness, enhanced September 2019

Source: Vendors

The players

OTHER WORKPLACE BENEFITS PROVIDERS

Representative firms:

- Ernst & Young
- Gallagher
- SoFi

Firm	Founded	HQ	Audience	Financial wellness offer
Ernst & Young	1989	London	Workplaces	EY Navigate, launched April 2018
Gallagher	1927	Rolling Meadows, Illinois	Workplaces	Financial wellness consulting services, launched December 2018
SoFi	2011	San Francisco	Workplaces and direct to consumer	SoFi at Work, launched September 2016

Source: Vendors

The players

STAND-ALONE FINANCIAL EDUCATION AND WELLNESS VENDORS

Representative firms:

- Ayco
- BrightPlan
- Enrich
- FinFit
- LearnLux

Firm	Founded	HQ	Audience	Recent announcement
Ayco	1971	Saratoga Springs, New York	Workplace	July 2020—adds financial marketplace to financial counseling
BrightPlan	2015	San Jose, California	Workplace	August 2020—launches digital investment management solution
Enrich	2009	Cardiff-By-The-Sea, California	College, workplace, financial institutions	September 2020—partners with California Coast Credit Union to offer financial wellness to members
FinFit	2008	Virginia Beach, Virginia	Workplace	July 2020—Partnership with PeopleStrategy for small/midsize employers
LearnLux	2014	Boston	Workplace	November 2020—receives World Changing Ideas award from Fast Company Magazine

The players

WEALTH AND FINTECH FIRMS WITH WELLNESS FOCUS

Representative firms:

- Abaka
- eMoney Advisor
- InvestCloud
- Facet Wealth

Firm	Founded	HQ	Audience	Recent announcement
Abaka	2015	London	Financial institutions	September 2020—releases AI-powered chatbots to scale financial wellness
eMoney Advisor	2000	Providence, Rhode Island	Financial advisors, financial institutions	October 2020—launches Incentive, a new financial wellness app
InvestCloud	2010	Los Angeles	Financial institutions	To be announced
Facet Wealth	2016	Baltimore	Direct to consumer, workplaces	October 2020—partners with MyVest on employee financial wellness program

Source: Vendors

Ideas to remember

Offering financial wellness capabilities could soon become table stakes for financial services firms targeting the workplace.

- Pursuing wellness, including financial wellness, is an ongoing, lifelong process.
- At a high level, a holistic financial wellness program should encompass the following four steps: assess and plan, educate and recommend, implement, and monitor and reengage.

Financial Wellness Process

Source: Aite Group

	Assess and plan	Educate and recommend	Implement	Monitor and reengage
Inputs	- Financial wellness questionnaire - Income, expenses, debt, insurance, account balances, goals	- Insights - Personalized action plan - Educational content - Financial coaches and sometimes advisors	Integration to financial solutions/benefits and/or workflows (e.g., increase contributions)	- Updated financial and personal information - Alerts based on life events, financial changes - HR communications plan
Outputs	- Baseline financial wellness score and/or key personal finance metrics/ratios - Comparison to goals and peers	- Modules completed - Coaching meetings conducted - Initiation of action items	- Benefits enrolled - Contributions increased - Recurring transfers initiated - Accounts opened	- Personalized communications - Reengagement with financial wellness portal - Initiation of new action items

The takeaways

WEALTH MANAGEMENT FIRMS

- **Competition in the financial wellness marketplace will continue to accelerate, driven by fintech innovation and the pandemic.** The entrance of traditional retirement plan providers, workplace benefits firms, digital and hybrid advice providers, and other new players—both in and out of the workplace—will expand services and broaden the definition of financial wellness. Offering financial wellness capabilities could soon become table stakes for financial services firms targeting the workplace.
- **Financial wellness provides an opportunity for firms to engage and “greenhouse” clients at an earlier stage in their development, capture greater client wallet share, and retain those assets through decumulation and multigenerational wealth transfer.** While it’s too early to know how successful firms will be in closing the loop with cradle-to-grave offerings, firms may not have the luxury of waiting to find out. The competition for younger and emerging affluent clients is growing, and firms that do not offer services to this demographic may lose out on significant new client business development opportunities as wealth transfers from baby boomers to younger generations.

The takeaways

FINANCIAL WELLNESS VENDORS

- **Providers in the financial wellness marketplace will need to be committed to supporting all clients, both large and small, especially mass-market consumers.** It will be critical for financial wellness providers to keep costs low for employers, employees, and clients outside of the workplace by keeping them engaged and enrolled in a program. Financial wellness providers will need to do the math to determine whether they can viably support mass-market clients, as well as understand what services will drive cost and revenue. For example, will offering solutions such as HSAs as a loss-leader translate to increasing growth and revenue from other core offerings, such as banking or retirement plan management? Incorporating digital capabilities and client analytics will also be crucial elements to support and scale areas such as advice delivery, marketing automation, and tracking/monitoring of a client's progress and goals.
- **The long-term impact of financial wellness on employees and consumers is still uncertain.** Many financial wellness solutions focus on near-term financial needs to reduce debt and improve savings. While providers believe these solutions also clear the way for long-term retirement planning, this outcome is still uncertain. Many mass-market/mass-affluent households may not be able to retire on their terms. If financial wellness solutions underperform their retirement readiness objectives, some retirement plan providers might be less enthusiastic about investing in financial wellness.

The takeaways

- **While large retirement plan providers and employee benefits firms own the customers today, their solutions may lack the integration and elegance of those of smaller, more nimble financial wellness players.** Pure-play financial wellness vendors don't have to integrate work and technology across multiple business units and can leverage APIs to plug in technical and product capabilities.
- **Financial wellness will raise client expectations, understanding, and demand for holistic advice and planning support.** For many clients, their first financial engagement or discussion will likely come through a financial wellness offering from their workplace and will serve as their baseline and understanding of what financial advice and planning entail. As a result, wealth management firms and financial advisors will need to recognize and better-position their offering to meet these rising client expectations and provide a more household and holistic approach to advice.
- **Financial services providers looking to integrate multiple financial solutions may face customer and regulatory challenges to potential conflicts of interest.** By contrast, smaller, dedicated financial wellness providers can differentiate by offering product-independent solutions or by integrating financial solutions based on employer preferences. Provider business models are still evolving, and it remains to be seen how employers and consumers will prefer to pay for these new offers.

Related Aite Group research

- [*Financial Wellness: Building Empowering Digital Banking Experiences*](#), May 2020.
- [*Financial Wellness: The New Digital Engagement Strategy*](#), May 2020.
- [*Top 10 Trends in Wealth Management, 2020: Wind of Change*](#), January 2020.
- [*The Convergence of Health Savings Accounts and 401\(k\)s: Vision or Illusion?*](#), June 2019.
- [*Financial Wellness Roars Into the Spotlight*](#), October 2019.

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