



RETIREMENT SERVICES

Pulse of the financial consumer: Concerns, priorities and confidence levels

A research-based snapshot of what investors are thinking and doing when it comes to investing — and what this means for financial advisors.



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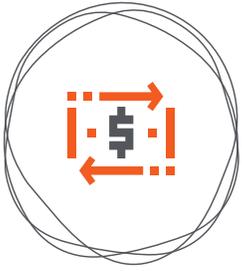
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Introduction

Given current economic and political conditions, money and financial priorities are certainly top of mind for most people. All types of investors are thinking intently about saving for various short- and long-term goals as well as the possible impacts from rising costs and inflation. Financial advisors, in their roles as fiduciaries, are thinking about the best ways to serve and guide clients as they plan for key milestones like retirement.

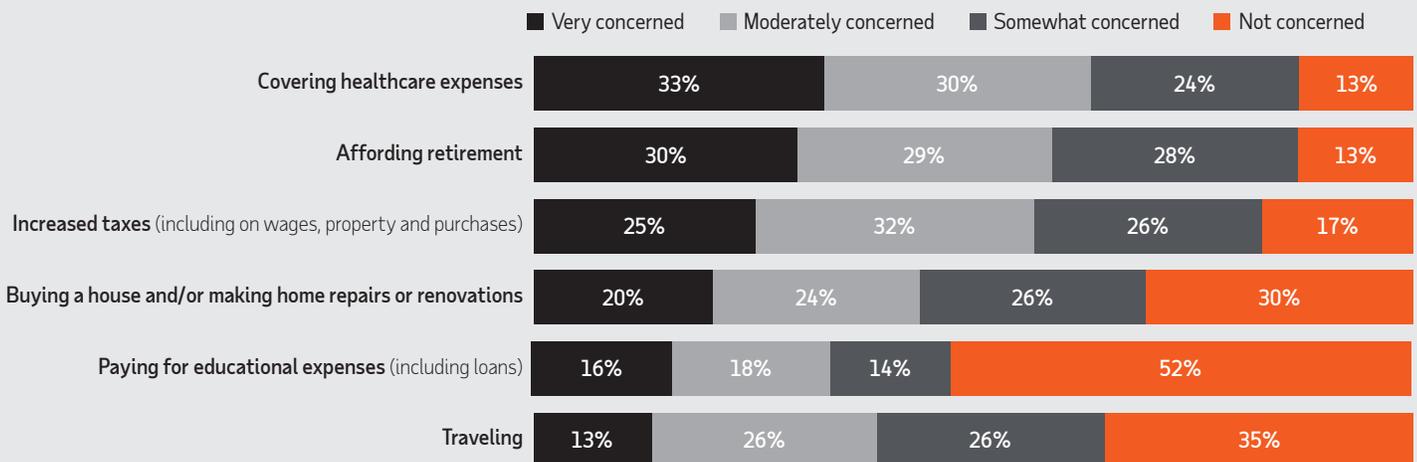
To help advisors better understand investors' perspectives, Arizent/Financial Planning conducted an online survey of more than 500 U.S. adults for ADP Retirement Services. Respondents are 18+ years old, split 50% female and male and 16% Gen Z, 23% Millennial, 23% Gen X and 38% Boomer. The findings illuminate where there are concerns, how different priorities stack up and the considerations driving behavior. The research also exposes the differing views of those who work with a financial advisor and those who don't.



Financial concerns

Investors certainly have a number of things to be worried about these days when it comes to their money. In what is not a surprise, a key concern is inflation and its impact on purchasing power now and into the future, with 70% concerned about this today; 65% concerned about one to 10 years out; and 57% concerned about 10+ years down the road. With the rate of inflation at 8.5% for the 12 months ending in July 2022, this is a very real issue that consumers are reminded of every time they head to the grocery store or gas station.¹

FIGURE 1: CONCERN ABOUT HAVING ENOUGH FINANCES TO COVER EXPENSES



SOURCE: Arizent Research/Financial Planning, February 2022.

When it comes to their ability to cover specific expense areas, two worries rise to the top: covering healthcare (63% moderately or very concerned) and affording retirement (59% moderately/very concerned). See Figure 1. Women are particularly concerned about the former, with 68% versus 58% of men noting healthcare expenses as the top category. Since women often end up spending more than men on healthcare over the course of their lifetime² it stands to reason that this should be a focus area for them, although this can be a significant expense bucket regardless of gender.

Fortunately, it seems that many investors are directly addressing these issues. As one female Boomer respondent says, "Save for retirement as social security will not be enough for most to live on." And a male Generation X respondent notes the importance of "Creating a monthly budget, which includes adding to savings."

1 SOURCE: <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>

2 SOURCE: <https://www.registerednursing.org/articles/healthcare-costs-by-age/>

THE ADVISOR TAKEAWAY

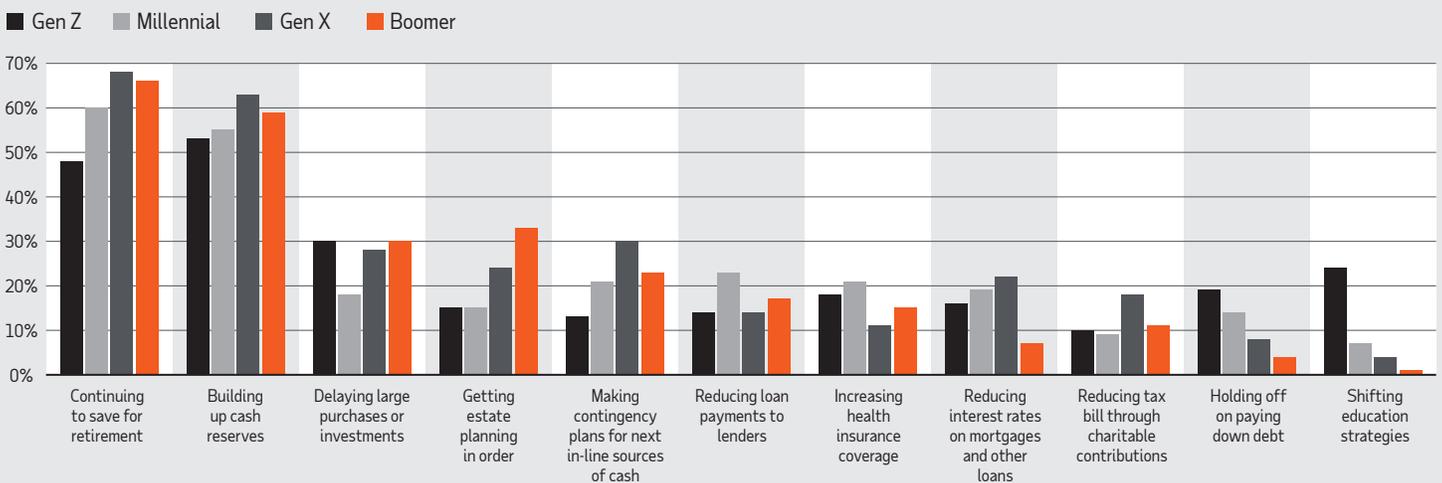
In times of turmoil, your role as trusted advisor is more important than ever. You can make use of analytics, such as the data in this white paper to not only validate client concerns, but as a talking point for how the financial planning work you've done together has put them in a strong financial position on key issues like retirement.



Financial priorities

Over the next year, investors plan to manage their financial situation by continuing to save for retirement (62%) and building up cash reserves (58%). See Figure 2. While this is the case regardless of generation, Generation X and Boomer respondents are taking more action when it comes to these activities versus their younger Millennial and Generation Z counterparts. For his part one male Gen X respondent suggests, "Having money auto-deducted from your direct deposit straight into an investing or a savings account, before you actually see the full deposit and forget about it."

FIGURE 2: TOP FINANCIAL PRIORITIES, NEXT 12 MONTHS, BY GENERATION



SOURCE: Arizent Research/Financial Planning, February 2022.

THE ADVISOR TAKEAWAY

Your clients, regardless of generation, are looking to both save for retirement and build up cash reserves, no doubt as a reaction to inflation and recession talk. This is a great time to help them prioritize their spending (e.g., short-term versus long-term goals), assess retirement investments (e.g., 401(k) versus Roth or traditional IRA) and consider smart savings vehicles (e.g., money markets, bonds, etc.).

In terms of what consumers are looking for regarding the investments they are making, they are seeking long-term steady growth (86% ranked top 3), the potential for the greatest returns (73% ranked top 3) and guaranteed minimum returns (64% ranked top 3). In other words, while these investors are looking to maximize their returns, they understand the importance of growth over time as well as protecting their principal. As one female Millennial summarizes, "Invest periodically and always invest for the long term." Another female from Gen Z says, "Save a little in life as you go. You need a lot for retirement so slowly save now so you don't panic later."

Financial confidence

While investors may be clear on their financial priorities, the ability to make those priorities a reality doesn't appear to be a lock: Only 48% of respondents are confident or very confident that they can reach their financial goals. And, while they think more highly of what they know about finances, with 71% agreeing or strongly agreeing with the statement, "I am confident in my financial knowledge," there is definitely room for improvement in this area as well. Considering the importance of financial matters to a person's long-term well-being, impacting everything from having basic needs met (e.g., food, shelter, clothing) to quality-of-life issues (e.g., healthcare, housing choices, money for "extras") the lack of confidence investors have in meeting their financial goals is and should be alarming.

The advisor difference

One element that we know does make a difference for investors when it comes to financial confidence is having a financial advisor. Those investors who report using a financial advisor are 54% confident they can reach their financial goals versus 31% who don't use a financial advisor. As one male Boomer acknowledges, "I appreciate that my financial advisor can proactively update me on market information so that I can make the right choices for investments." And a female Millennial appreciates that her advisor, "Set up a great portfolio for me."

In addition to greater financial confidence, investors who use a financial advisor report tolerating higher levels of risk in their investments. These investors would be more likely to follow the recommended investment course, even in volatile markets, when those without an advisor might be more likely to make a fear-driven investment change in a rush to "safer" vehicles.

THE ADVISOR TAKEAWAY

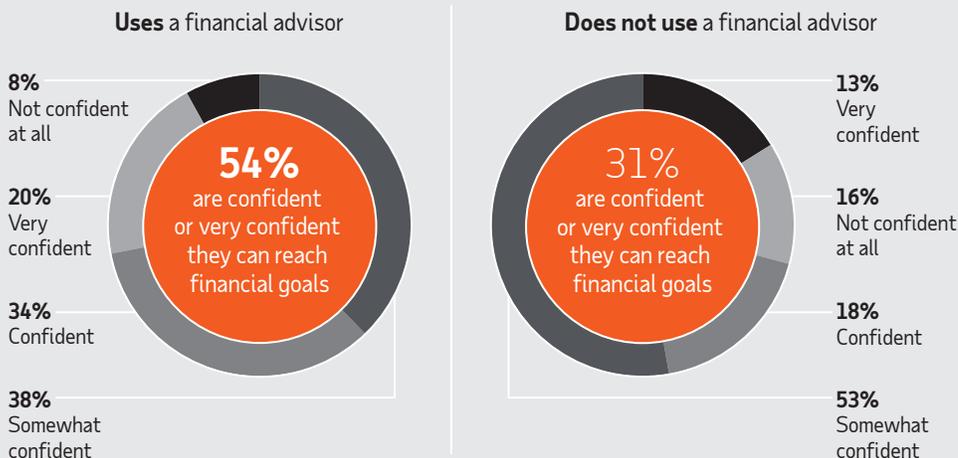
Financial education is key and advisors are in a great position to provide this to their clients and prospects. Beyond yearly or quarterly meetings, consider offering regular newsletters, web seminars or in-person events for your clients on topics such as budgeting, savings vehicles and retirement strategies.



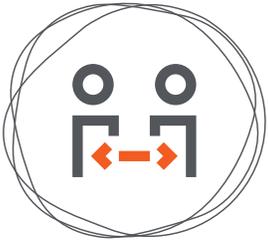
THE ADVISOR TAKEAWAY

Remember, keeping the lines of communication open with your clients, particularly in times of potential financial strife positions you as a valued partner and can help your clients stick to well-laid investment plans and avoid making rash, fear-based decisions. Your clients don't just come to you for your investment knowledge but for the peace of mind and confidence that only a financial advisor offers.

FIGURE 3: CONFIDENCE IN HAVING MONEY NEEDED TO ADVANCE FINANCIAL GOALS?



SOURCE: Arizent Research/Financial Planning, February 2022.



Conclusion

IN TODAY'S INFLATIONARY ENVIRONMENT, INVESTORS ARE PARTICULARLY CONCERNED ABOUT COVERING HEALTHCARE EXPENSES AND AFFORDING RETIREMENT. To address these concerns and meet ongoing financial priorities, they are primarily focused on saving for retirement and building up cash reserves and are looking for investments that offer long-term steady growth as well as the potential for the greatest return.

Advisors who take the time to understand their client's specific monetary concerns, help them prioritize their spending and investments and offer education can become a key piece that holds an investor's financial puzzle together in good and bad financial times.

Methodology

This research was conducted by Arizent/Financial Planning online during February 2022 among 504 U.S. adults (ages 18 years and older) who have one or more financial investments and/or are actively contributing to investment accounts. More than 4-in-10 respondents report using a financial advisor.



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About Arizent

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Let's Talk.

For more information about ADP retirement plans and how we make them engaging and easier to manage, contact us at 844-237-3548 or visit adp.com/advisors.

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