

# 2020 Financial Life Benefits™ Impact Report

Employers play a pivotal role in helping their employees plan, save and take control of their financial future. A robust employee benefits program that addresses short-term needs and long-term goals with financial education and professional guidance is central to giving employees the support they need.



Bank of America is committed to helping employers address the diverse needs of their workforce and empowering employees to take control of their full financial lives. We can help do this through Financial Life Benefits™, a suite of workplace benefit programs that brings together traditional benefits — including 401(k),\* healthcare savings† and equity compensation\* — with a corporate employee banking and investing offering.

Successful workplace programs must go beyond traditional benefits to deliver resources and support for employees across all life stages, ethnicities, cultures, genders and experiences. Employees who have access to the full breadth of resources they need are more likely to feel financially well and be on the path to pursuing their goals. Our commitment to Financial Life Benefits™ also includes utilization by our own employees, which strengthens our ability to evolve the programs and serve our clients.

Comprehensive financial benefits that provide resources aligned with employee needs promote employee engagement. And more engaged employees are more productive — helping businesses thrive.

Lorna Sabbia  
Head of Retirement & Personal Wealth Solutions  
Bank of America

This report monitors plan participants' behavior and sponsors' adoption of new plan design features and services in our proprietary employee benefits programs, which comprise \$231 billion in total client assets and 3.1 million total participants with positive balances as of December 31, 2019.<sup>1</sup>

\* Investment products are available from Merrill Lynch, Pierce, Fenner & Smith Incorporated.

† Bank products are available from Bank of America, N.A., and affiliated banks.

## Key findings

### Plan design can help drive employee engagement.

Features like auto-enrollment and auto-deferral can result in higher employee engagement and higher contribution rates.

### Advice has an impact.‡

Recipients of advice are more likely to engage in good retirement savings and investment behaviors.

### Women trail in retirement preparedness.

While engagement remains strong, women lag their male counterparts on a number of key retirement preparedness factors.

### Healthcare continues to be a focus.

Employees are becoming more interested in ways to manage their healthcare costs today and in the future.

### Employees want help with every aspect of their finances.

When offered financial benefits beyond retirement, employees are enthusiastic about taking advantage of a wider range of financial services.

‡ Advice provided through Advice Access program only.

Bank of America is a marketing name for the Retirement Services business of Bank of America Corporation ("BofA Corp."). Banking activities may be performed by wholly owned banking affiliates of BofA Corp., including Bank of America, N.A., member FDIC. Brokerage and investment advisory services are provided by wholly owned nonbank affiliates of BofA Corp., including Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPF&S" or "Merrill"), a dually registered broker-dealer and investment adviser and Member SIPC.

Mutual Fund investment offerings for the Bank of America HSA are made available by MLPF&S. Investments in mutual funds are held in an omnibus account at MLPF&S in the name of Bank of America, N.A. ("BANA"), for the benefit of all HSA account owners. Recommendations as to HSA investment menu options are provided to BANA by the Chief Investment Office ("CIO"), Global Wealth & Investment Management ("GWIM"), a division of BofA Corp. The CIO, which provides investment strategies, due diligence, portfolio construction guidance and wealth management solutions for GWIM clients, is part of the Investment Solutions Group of GWIM.

Investment products:

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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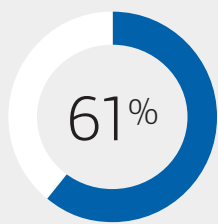
# Helping employees pursue their top financial goal

Bank of America works with employees so they are prepared to take a more active role in preparing for their own retirement while also helping employers take steps to enhance the retirement savings experience. Through innovative plan design and by expanding the availability of financial education and professional guidance, Bank of America is always looking for ways to support employers as they help employees prepare for retirement.

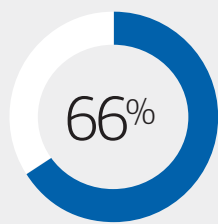
Bank of America research shows that employees rank their 401(k) as the top workplace benefit, after healthcare coverage.<sup>2</sup>

Employees also rank saving for retirement as the #1 issue they need help with — and the importance placed on this topic increases with age.<sup>2</sup>

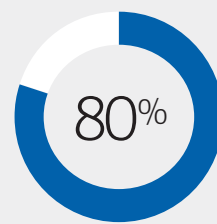
## Smart retirement plan design can help increase employee engagement



61% of eligible employees participate in their company's 401(k) plan.<sup>3</sup>



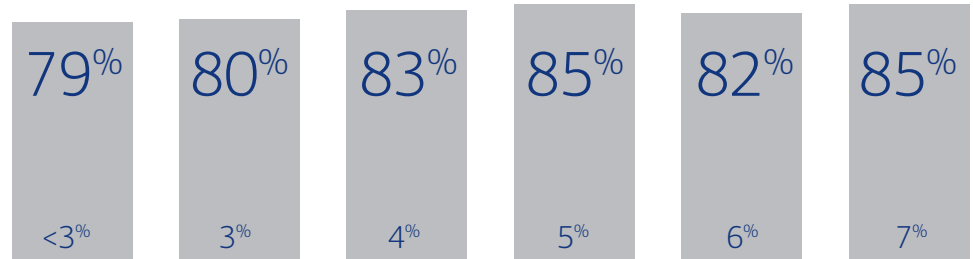
Automatic enrollment of all new hires increases participation to 66%.<sup>3</sup>



Automatic enrollment of all eligible employees increases participation to 80%.<sup>3</sup>

A higher automatic enrollment default rate can contribute to higher employee participation.<sup>3</sup>

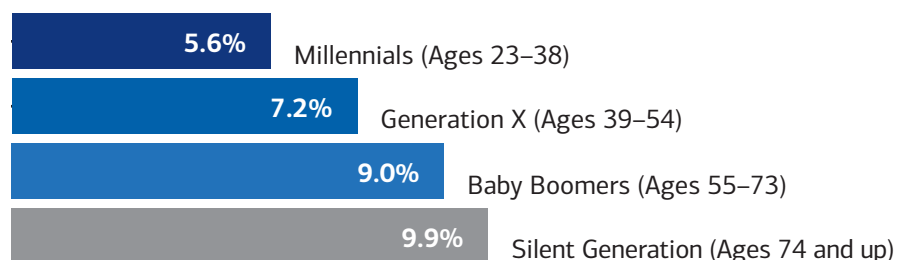
Overall 401(k) participation rate<sup>3</sup>



Auto enrollment default rate<sup>3</sup>

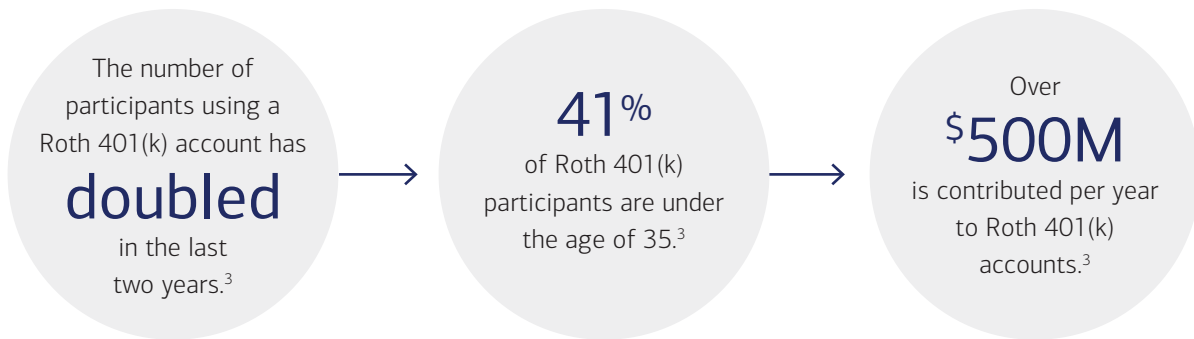
In 2019, automatic enrollment contributions amounted to **\$19 billion** in retirement funds contributed to Bank of America 401(k) plans.<sup>3</sup>

## Overall, average contribution rates increase with age<sup>3</sup>



## Participants are also taking advantage of other account options

Roth 401(k) accounts, which allow an employee to contribute post-tax dollars that can potentially grow tax-free and provide tax-free retirement income, are also increasing in popularity.



With regard to Roth 401(k)s, a qualified withdrawal or distribution is tax-free if it is taken at least five tax years after the year of your first Roth 401(k) contribution and after you have attained age 59½ (or upon disability or death).

## Digital account management is becoming more popular

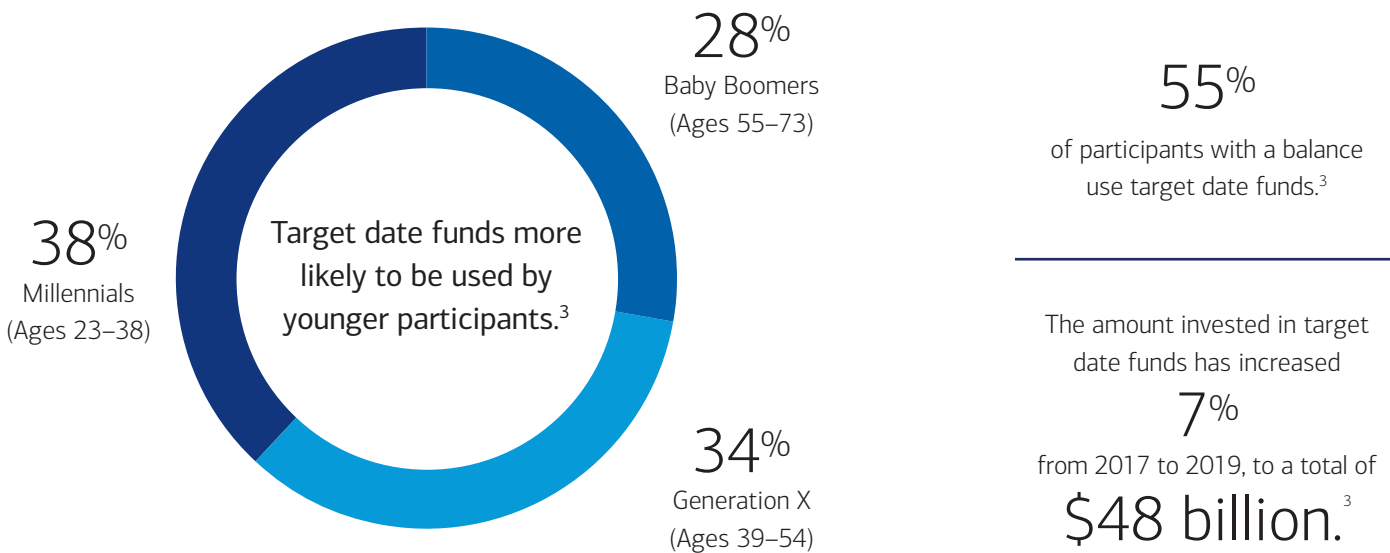
Participants executed more than 2.5 million 401(k) account-related transactions.<sup>3</sup>

Most frequent activity among 401(k) participants was fund transfers at 20% of digital transactions.<sup>3</sup>

In 2019, mobile app use doubled its share of digital engagement, compared to web-based access.<sup>3</sup>

## Target date funds also remain popular

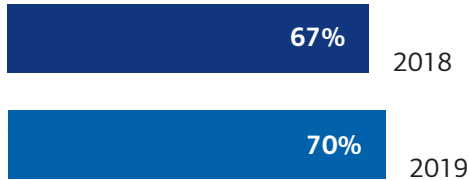
Participants gravitate to target date funds because they offer active management tied to a projected retirement year.



The target date for "Target Date Funds" is the approximate date when an investor plans to start withdrawing the assets from their retirement account. The principal value of these funds is not guaranteed at any time, including at the target date. These funds are designed to become more conservative over time as the target date approaches.

## More and more participants have access to personalized advice\*

At Bank of America, we believe one of the best ways to help employees pursue their retirement goals is to provide access to personalized advice. There has been growth in plans offering access to advice.<sup>4</sup>



Our Advice Access offering now serves more than 1.2 million participants.<sup>4</sup>

Recipients of advice are also more likely to engage in good retirement savings and investment behaviors:

92%

take a diversified approach to investing within their 401(k).<sup>4</sup>

2X

as likely to request a personalized savings and investment strategy that is aligned with their financial situation and retirement goals.<sup>4</sup>

## Helping retirement plan participants know their financial wellness score<sup>†</sup>

Bank of America's next generation Financial Wellness Tracker offers 401(k) plan participants a new financial wellness experience, with a personalized score and suggested action plan intended to help nurture good financial habits.

Average financial wellness score is **65/100**<sup>5</sup>

Average score of participants earning:<sup>5</sup>

Less than \$40k	\$40k to \$100k	Over \$100k
48	57	71



Employees are excited to use the Financial Wellness Tracker, with average use increasing 6–7% per week in the first ten weeks of the program.<sup>5</sup>

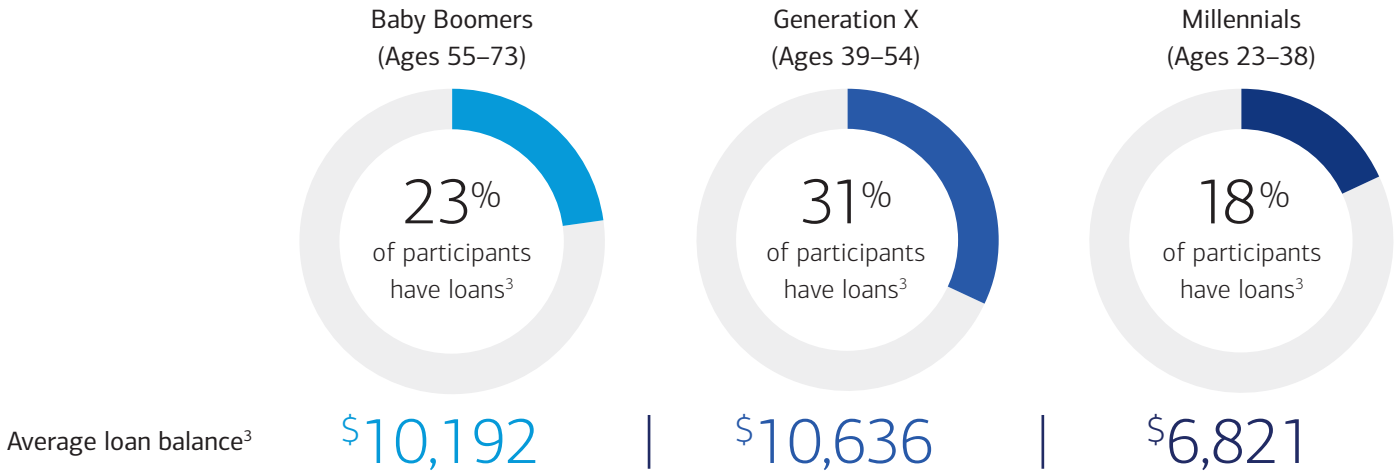
\* Advice is provided through Advice Access only. **Please see page 10 for important information regarding Advice Access.**

<sup>†</sup> The Financial Wellness Tracker calculates scores based on responses to questions, as well as some underlying calculations, and are evaluated against the attributes of a financially well individual. The score takes into account: 1) personal information such as age, dependents and household income; 2) key financial information, including savings and expenses; and 3) the financial behaviors exhibited. Each question and answer is worth a certain number of points. Point values vary and one aggregate score is calculated to provide an individual their score.

**Diversification does not ensure a profit or protect against loss.**

## Generation X participants are borrowing from their 401(k) at higher rates than other generations

In Bank of America's *Modern Parenting* report, 79% of parents to adults 18–34 say they're providing some financial support to their children. A quarter say they would be willing to pull money from a retirement account to support an adult child.<sup>6</sup> This may be a contributing factor to why a larger percent of Baby Boomer and Generation X participants are taking out loans compared to Millennial participants.



## Women trail in retirement preparedness

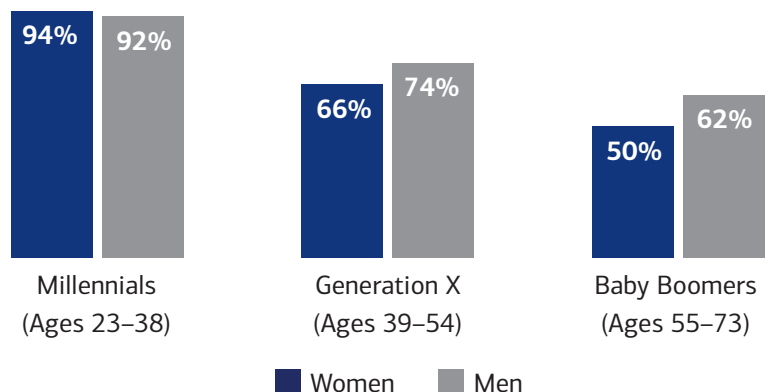
A closer look at women and retirement shows that they may need additional guidance in preparing for their financial future, as they continue to lag their male counterparts on a number of key retirement preparedness factors. These differences are likely driven by a range of factors, including persistent wage disparities as well as time out of work — the average woman spends 44% of her adult life out of the workforce versus 28% for a man.<sup>8</sup>



The fact that women lag men in retirement savings is even more important when you realize that women spend on average an extra \$195,000 than men in retirement due to longevity and long-term care needs.<sup>8</sup>

The good news is that younger women are acknowledging this need and closing the gap on investing in equities that can also contribute to lower retirement-age account balances. Keep in mind, each investor should select the asset classes for them based on their goals, time horizon, liquidity needs and risk tolerance.

## Allocation to equities in 401(k) accounts<sup>3</sup>



# Helping employees manage healthcare costs now and in the future

Bank of America research has shown that healthcare costs are a top concern among employees as costs and out-of-pocket expenses increase. One of the most powerful tools employees have to help manage their health costs today and in the future is through a Health Savings Account (HSA) — a key component of Financial Life Benefits™. Offering these tax-advantaged accounts to employees, combined with robust education, can help employees manage their healthcare expenses today and in the future.

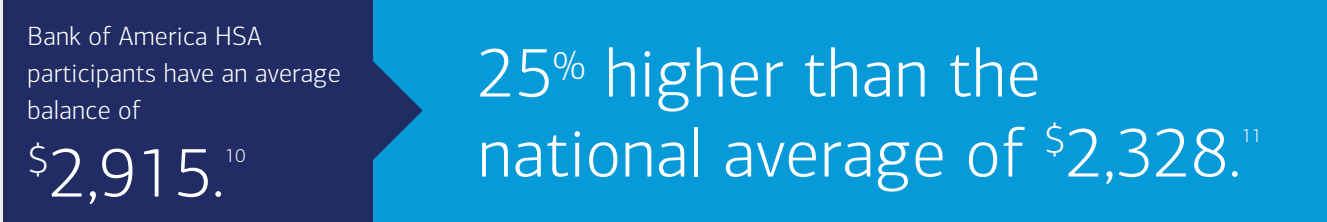
↑ Out-of-pocket healthcare costs have **increased 23%** in the last four years.<sup>9</sup>

Employees spend, on average, **\$2,138** on out-of-pocket healthcare expenses.<sup>9</sup>

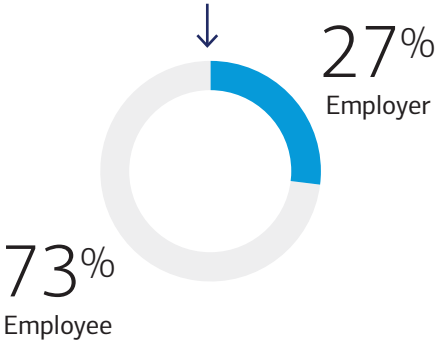
## Bank of America is a leader in the Health Savings Account space

Health and employee productivity are connected — healthier employees are more productive employees. Bank of America helps more than a million employees manage their health savings through HSAs.<sup>10</sup> Through our Power of Two education campaign, we have helped participants understand the importance of HSA savings and increased engagement among participants.

## The number of HSA participants served by Bank of America has grown 64% since 2016.<sup>10</sup>



Employer contributions comprise about 27% of assets deposited into Bank of America HSAs.<sup>10</sup>



**30%** of Bank of America HSA balances were saved for future use in 2019.<sup>10</sup>

**20%** more than the national average.<sup>10</sup>

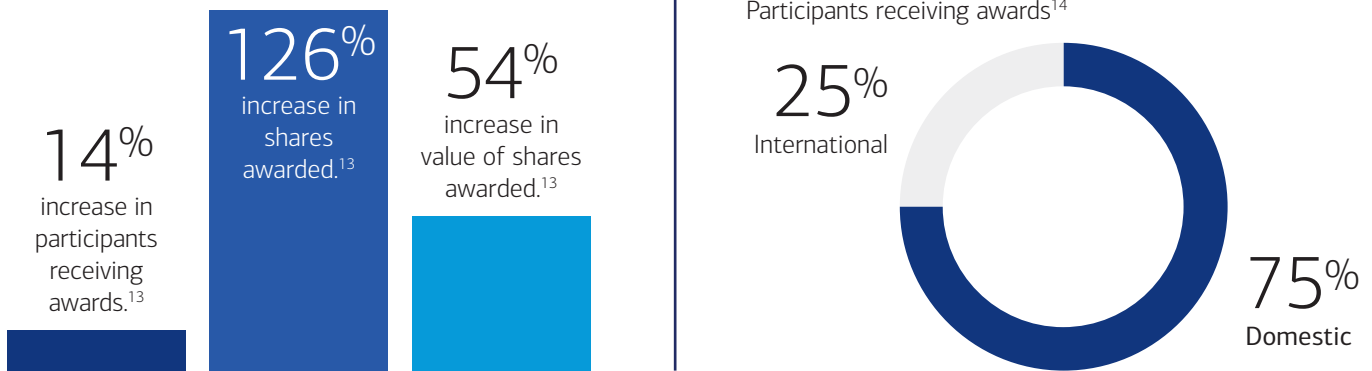
**36%** of Bank of America HSA assets are invested in the markets for potential future growth.<sup>10</sup>

**50%** more than the national average.<sup>10</sup>

**Investing in the Plan involves risk, including the possible loss of the principal value invested.**

# Equity compensation is playing a larger role in employee finances

In addition to supporting employees' retirement planning goals through 401(k) plans, companies across industries are also embracing equity award grants as a way to incentivize and reward their workforces. Equity grants can also play a significant role in an employee's retirement planning, with the majority of plans including provisions for equity vesting at retirement, with certain restrictions.<sup>12</sup>



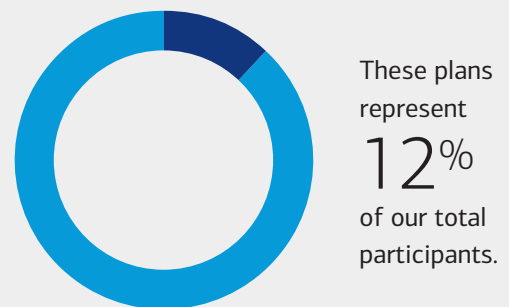
Employee stock purchase plans are also being used as a way to retain talented employees and promote a sense of shared ownership in the company.



## Sustainable investing has only recently become more mainstream

However, 6 in 10 employees indicate they would be more likely to contribute or increase contributions to their retirement plan if they knew their investments were doing social good.<sup>16</sup>

While adoption of such investments in employer sponsored benefit plans has been slow, some of our largest 401(k) clients have added sustainable investment funds to their retirement plan investment options.



Impact investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

# Supporting the full range of employee financial needs

Bank of America empowers employees to better manage every aspect of their financial lives — going beyond saving for retirement and managing healthcare expenses to address day-to-day financial challenges — from paying bills, to budgeting and saving, to easily tracking finances.

The **Corporate Employee Banking & Investing Program** is our newest workplace benefit, delivered in partnership with employers to offer employees an exclusive program of financial education, access to help from dedicated financial specialists, mortgage discount and a bundle of no-fee everyday banking services they can't get anywhere else.

The results from inaugural firms who have been offering the program for over a year are impressive.<sup>17</sup>

Employee **engagement increased 3x** when banking and investing was included as part of formal workplace benefits.<sup>17</sup>

Through access to no-fee banking services, participating **employees have saved \$1.5 million in fees** in the first year of the program.<sup>17</sup>

**4,600 new mortgages** were underwritten, with incentives and credits for participating employees — helping these participants achieve one of their most important financial goals.<sup>17</sup>

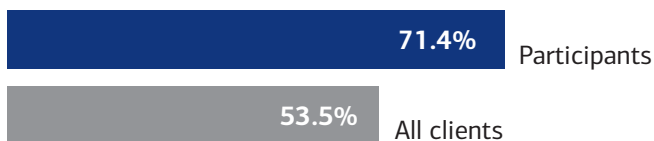
Note: Aggregate total for first 12 months post-launch for inaugural 8 companies. The fee waiver savings represents deposits only and excludes the mortgage discount.

Participants are more likely to take advantage of online banking services compared to all Bank of America banking clients.<sup>17</sup>

Online banking



Mobile banking



**30%** of young adults say buying a home is a key factor in defining adulthood.<sup>18</sup>

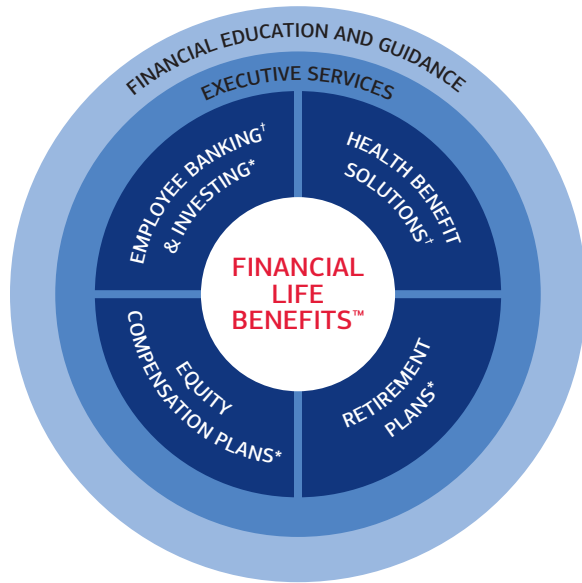
In addition to banking benefits from Bank of America, employees also have access to investments from Bank of America Private Bank and Merrill.

Investment products are offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Banking and mortgage products are offered by Bank of America, N.A., and affiliated banks, Members FDIC and wholly owned subsidiaries of Bank of America Corporation.



# Actionable best practices for employers



Financial Life Benefits™ helps elevate workplace benefits offerings by giving something employees truly appreciate — a seamless integrated solution that helps support their broad financial needs — retirement, health savings, banking and investing. It also offers exclusive benefits and rewards, as well as tools, resources, insights, education and guidance, individually tailored to their life stage, goals and priorities. Financial Life Benefits™ helps employees take control of their financial lives and helps employers differentiate their benefits offerings.

\* Investment products are available from Merrill Lynch, Pierce, Fenner & Smith Incorporated.

† Bank products are available from Bank of America, N.A., and affiliated banks.

1

Incorporate plan design features that help drive participation and make it easier for employees to engage. Consider auto enrollment with higher default rates, auto increase, advisory services and financial wellness programs that are holistic, personal and actionable.

2

Promote savings and planning options to help employees manage growing healthcare costs. Highlight HSA's investment feature and importance as a core building block of a solid retirement strategy.

3

Provide employees with guidance and education programs that consider gender and generational differences in terms of needs. Educate on the unique financial challenges women face and commit to programs that deliver resources and support for employees across all life stages, ethnicities, cultures and experiences.

4

Offer broad-based planning that considers all stages of employees' lives. Offer financial wellness programs that measure how employees are doing and what they can do to develop good financial behaviors, from managing debt to saving for an emergency to preparing for their retirement years.

5

Consider benefit programs and education that help employees manage all aspects of their financial lives. Helping employees make smarter financial decisions creates confidence, reduces stress, increases their focus at work and strengthens the employer-employee relationship.

To learn more about how Bank of America's employee benefits plans may be able to help you and your employees, visit [benefitplans.baml.com](https://benefitplans.baml.com).

## Important information regarding Advice Access program.

**Advice Access is an investment advisory program sponsored by Merrill that uses a probabilistic approach to determine the likelihood that participants in the program may be able to achieve their specified annual retirement income goal and/or to identify a potential wealth outcome that could be realized. Additionally, the recommendations provided by Advice Access may include a higher level of investment risk than a participant may be personally comfortable with. Participants are strongly advised to consider their personal goals, overall risk tolerance, and retirement horizon before accepting any recommendations made by Advice Access. Participants should carefully review the explanation of the methodology used, including key assumptions and limitations, which is provided in the Advice Access disclosure document (ADV Part 2A) statement. It can be obtained through Benefits Online or through your representative.**

**IMPORTANT: The projections or other information shown in the Advice Access program regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.**

<sup>1</sup> Bank of America's Retirement and Benefit Plan Services (Retirement and Benefit Plan Services) which is part of Global Wealth and Investment Management (GWIM), the wealth and investment management division of Bank of America Corporation. Client balances consist of assets under management, client brokerage assets and deposits of GWIM retirement plan participants held at Bank of America, N.A., and affiliated banks, 2019.

<sup>2</sup> Bank of America, *2017 Workplace Benefits Report*.

The *2017 Workplace Benefits Report* was conducted by Boston Research Technologies as an online survey with a national sample of 1,242 employees who responded between September 22 and October 7, 2016, on behalf of Bank of America Merrill Lynch. To qualify for the survey, employees had to be current participants in a 401(k) plan; the plan did not have to be provided by Bank of America Merrill Lynch. Bank of America Merrill Lynch was not identified as the sponsor of the study. Respondent demographics broke down as follows: Men: 48%; Women: 52%; Millennials (18–34 years of age): 355; Gen X (35–50 years of age): 460; Baby Boomers (51–69 years of age): 427.

<sup>3</sup> Bank of America's Retirement and Benefit Plan Services. Data as of December 2019.

<sup>4</sup> Merrill, *Advice Access Wellness Report*, 2018 & 2019.

<sup>5</sup> Financial Wellness Tracker inaugural client data as of April 30, 2020.

<sup>6</sup> Bank of America, *The Financial Journey of Modern Parenting*, 2018.

<sup>7</sup> Merrill, *The Journey of Caregiving: Honor, Responsibility & Financial Complexity*, 2019.

<sup>8</sup> Merrill, *Women & Financial Wellness: Beyond the Bottom Line*, 2019.

<sup>9</sup> Bank of America, *2018 Workplace Benefits Report*.

The *2018 Workplace Benefits Report* was conducted by Boston Research Technologies who interviewed a national sample of 657 employees who participate in 401(k) plans from December 15, 2017 through December 27, 2017 and 667 employers who offer both a 401(k) plan and a program designed to help improve financial wellness from December 15, 2017 to January 3, 2018. To qualify for the survey, employees had to be current participants of a 401(k) plan and employers had to offer a 401(k) plan option. Neither was required to work with Bank of America Merrill Lynch. Bank of America Merrill Lynch was not identified as the sponsor of the study. Respondent demographics broke down as follows: Men: 46%; Women: 54%; 274 under 40 years of age; 295 between the ages of 40 and 59; 88 at the age of 60+.

<sup>10</sup> Bank of America Health Benefit Solutions Product team, 2020.

<sup>11</sup> Devenir Research, *2019 Year-End HSA Market Statistics & Trends*.

<sup>12</sup> Deloitte, *2019 Domestic Stock Plan: Section 2 Plan Design*.

<sup>13</sup> Bank of America. Growth rates based on year-over-year growth between 2018 and 2019 for plans with Bank of America for at least three years as of December 2019.

<sup>14</sup> Bank of America. Based on all equity plans as of December 2019.


<sup>15</sup> Bank of America ESPP Reporting, 2019.

<sup>16</sup> Natixis, *Running on Empty: Attitudes and Actions of Defined Contribution Plan Participants*, 2016.

<sup>17</sup> Data from Bank of America Corporate Banking & Investing Program, reflecting participant behaviors as of December 31, 2019.

<sup>18</sup> Bank of America, *2019 Early Adulthood: The Pursuit of Financial Independence Report*.

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