FEBRUARY 2025

WORKPLACE THOUGHT LEADERSHIP

2025 Workplace Outlook

Perspectives for talent and benefits leaders

What's inside

Tighter budgets. Rising costs. Different expectations.

Employers and employees have these challenges in common. Can you find ways to satisfy the evolving needs of your workforce while still respecting your bottom line?

We believe that with the right information and analysis, you can.

This new report from Fidelity Investments captures the most current information and trends that take the pulse of America's workplace. In a changing world, we are your eyes and ears—and your boots on the ground. Our goal is to help you make more nimble and informed decisions when facing change.

Capturing the pulse of the ever-evolving workplace

Employers today feel like they are asked to hit a constantly moving target. In an era where uncertainty is the new norm, organizations need to understand the factors at play and how they can be leveraged to inform more strategic approaches to support priorities.

In this report, we aim to help human resources (HR) leaders make more informed and data-driven decisions. Based on the latest research by Fidelity Investments, we will address 4 main areas that impact your workplace decision-making and provide insights, implications, and recommendations for your total rewards strategy.

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WORKPLACE THOUGHT LEADERSHIP

Navigating shifting sands

Workforce demographics, societal shifts, and technology are driving new expectations in the workplace

Large-scale demographic, societal, and economic shifts are impacting the way employers engage with and support their workforce, including their total rewards strategies. Rising costs are forcing employees and employers alike to find ways of doing more with less. At the same time, employees expect a positive work environment and for their employer to provide support in the form of benefits. However, needs vary across all workforces, making it challenging for organizations to satisfy every one of their employees' expectations.

The pendulum shifts toward employers, but pressures remain

Navigating cost pressures

77% of employees say inflation and increasing costs of living are causing stress

- Organizations have increased pay to compete in a strong labor market, but employees still feel cash-strapped as the higher cost of living eats up a greater portion of household budgets. In fact, 77% of employees say inflation and the cost of living are causing them stress, and 3 in 10 employees are stressed about meeting their immediate financial needs.[1] As such, many employees may be looking to employers for help alleviating the financial strain of everything from housing costs to medical care to student loan payments.
- At the same time, interest rates are the highest since the Great Recession[2] and the high costs of capital are putting pressure on employers' budgets despite the lift from a strong economy and stock market. Organizations are grappling with the dual pressure of meeting employee expectations while attempting to cut extraneous costs.

Navigating technology

- Business leaders are thinking about technological advances, including the current wave of generative artificial intelligence (AI) and how to reap the benefits of the efficiency and cost savings that its proponents tout.[3] Many leaders see opportunities for AI to improve HR tasks like hiring, payroll administration, and benefits administration. Some envision a future where generative AI supports a more personalized and engaging benefits experience for employees. However, as many organizations are still unclear about how to integrate traditional AI into their business, the possibility of applying generative AI can feel even more opaque.[4]

Navigating polarization

- Additionally, as the political climate has become increasingly polarized, the workplace has not been immune.[5] Employers must contend with taking a stand—or not—on divisive issues that often feel like a zero-sum game. The dynamic has left some employers choosing to remain silent in a sign of "corporate agnosticism," while others take steps to scale back more progressive stances and programs instituted in recent years.[6]

While many workplaces are still adjusting to a post-pandemic landscape, the cooling job market has swung the pendulum of power back in employers' favor,[7] exacerbating tension already present between organizations and their employees. Many organizations have begun to enforce stricter return-to-office policies, adding to friction with employees. With both employers and employees under stress, organizations face the difficult task of navigating complex financial, technological, and political territory.

Understanding employees' range of financial challenges

While employee needs vary based on life stage, background, job function, and other characteristics, certain financial challenges are more salient across groups. Employers should be aware of how these challenges can pose a risk to employees' immediate financial wellness, longer-term retirement security, and even the broader goals of the organization.

- **Less than half of US adults have strong financial literacy skills,**[8] which prevents many workers from building financial confidence and making informed decisions when it comes to responsible spending and saving, managing debt, or preparing for retirement.
- **Inflation and the rising costs of living are burdening families' budgets.** Credit card debt has risen to historic figures, with the average US adult owing $6,521. Gen X individuals, who hold the highest balances of any generation, owe over $9,000 on average.[9]
- **Only half of employees have 3 or more months' worth of expenses saved for emergencies,**[10] and this drops to less than 1/3 among employees living paycheck to paycheck.[11]
- **Early withdrawals from retirement plans are on the rise,** in part due to the higher costs of living and an emergency savings deficit. Over the past 5 years, hardship withdrawals have climbed steadily, culminating in a record 8.6% of employees taking an early withdrawal over the past year.[12] As employees borrow from tomorrow to meet today's growing and urgent needs, they should understand that frequent early withdrawal behavior can undercut their retirement security.

Organizations are not immune to the financial realities their employees face. Among employees who say inflation and/or the cost of living, meeting immediate financial needs, or meeting long-term financial needs causes them stress, **more than half say that stress is impacting their performance at work.**[13] This is a concern for employers that need productive employees who can concentrate at work and contribute to the organization's goals.

Perspectives vary across groups

Shifting demographics and financial concerns are contributing to shifts in workplace norms. The unique qualities and challenges of each group are also playing a role, summarized here in Figure 1.

FIGURE 1: **Financial concerns and priorities across generations and life stages**

GEN Z	MILLENNIALS	GEN X	BABY BOOMERS
1997–2012	1981–1996	1965–1980	1946–1964
EARLY CAREER	MID-CAREER	PRE-RETIREMENT	RETIREMENT

48% of Gen Z and 44% of Millennials identify as racially or ethnically diverse, and more than one-quarter of adult Gen Z identify as LGBTQ+[14], which may impact financial goals and priorities.

Only 2 in 5 working pre-retirees feel confident that they'll have enough savings to support themselves through retirement.[20]

Women are prioritizing financial stability and career growth, resulting in historically low birth rates, as young families struggle with the financial implications of parenthood (costs for childcare, fertility services, education, etc.).[16]

A growing proportion of the workforce is age 65 and over, as many are choosing to work longer for the financial or social benefits of work[21]

Younger workers have taken on significantly more debt at their age than previous generations, largely due to student loans.[15]

Many are caregivers of children, aging family members, or both, straining financial and emotional capacity.

The rising cost of living and retirement under-preparedness are driving many to work past their desired timeline, or to re-enter the workforce in a different capacity.[21]

Traditional retirement does not resonate as it does for older workers because younger people are focused on shorter-term goals like building lives, careers, families.

Balancing spending and savings priorities like managing debt, saving for children's college, and saving for retirement,[17] can lead to stress, higher than average credit card debt,[18] and poor well-being scores.[19]

These factors drive workers across all generations and career stages to desire flexibility, predictable schedules, quality benefits like retirement plans and health care, and inclusive work environments where they can grow and thrive.

Sources: see endnotes.

Employee priorities center on well-being

Health is the new wealth

Particularly among younger generations, the definitions of "success" and "wealth" are shifting away from professional achievement to become focused on well-being. Being in good health (including emotional health), feeling financially "comfortable", maintaining quality relationships with friends, family, and community, and spending time in a way that is fulfilling (e.g., hobbies, passion projects, etc.) are becoming the new standard for a successful life. In fact, 7 in 10 Americans say that enjoying experiences is a better reflection of wealth than owning material possessions.[22]

What's more, research shows that some workers are taking less linear career paths to allow more time to care for children or other family members, pursue higher education, travel, or earn money from multiple sources (freelancing, gig work, or a combination of traditional work and other jobs). [23]

This fundamental shift in goals helps contextualize why younger workers are prioritizing work-life balance, sometimes over career growth. However, this shift is visible across all generations of employees. It's important to mention that many employees are still exhibiting professional ambition; however, work is no longer their only ambition.[24]

Title and salary alone no longer define a "good" job

It's no surprise that people primarily work for the paycheck, but today, many employees are looking for more meaning in their work. For many workers, "more" may come from positive social connections with colleagues, feeling like their values are aligned with the organization, or engaging with learning and development opportunities.

As employees seek ways to support their well-being, many favor roles that offer flexibility, such as fewer days in the office, a compressed workweek, or a flexible schedule. For the 70% to 80% of workers whose jobs are not done in an office, flexible options like the ability to choose shifts can provide employees with a feeling of control over their work schedules. [25]

The manager role is evolving

Managing the modern workforce requires interacting with employees in a way that makes them feel welcomed, understood, and supported– a tall ask given the expanding scope of duties that fall within a manager's purview. Effective managers should have a level of elasticity and the ability to flex quickly between the strategic goals of the organization and tactical tasks required of the team. Today, it's also important for managers to be capable of switching between analytical work and emotional labor.

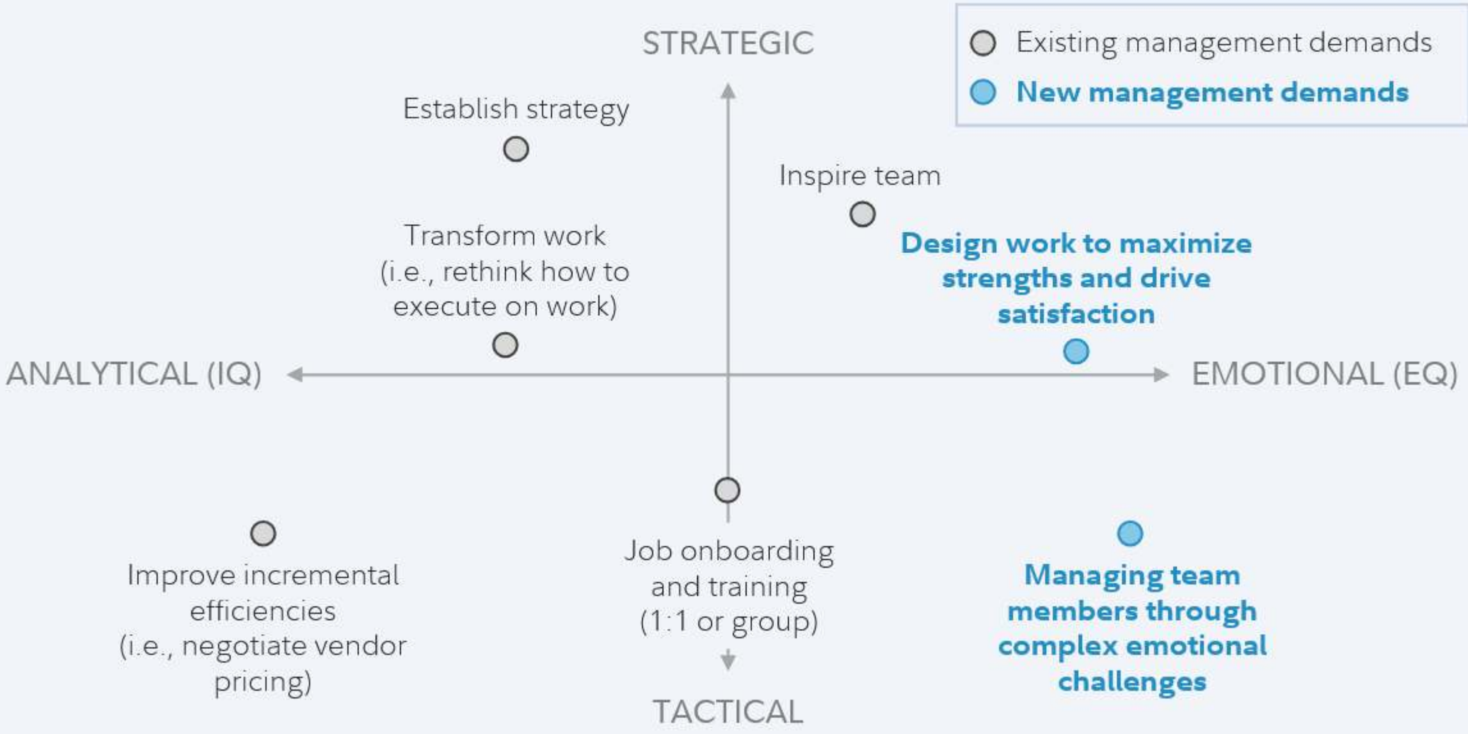
For example, as the stigma dissipates around mental health concerns, employees are prioritizing their emotional well-being now more than ever. For managers to provide support, they must have or learn to develop qualities like empathy and self-awareness and learn to give positive reinforcement. This may require some managers to function differently than they have in the past, and not all managers may be appropriately equipped to adjust their approach without additional training. Further, organizations may want to re-evaluate how managers are chosen and prioritize high-performing employees who possess these qualities.

Managing a "deskless" workforce

70-80% of the global workforce is in a deskless job (e.g., flight attendants, construction workers, nurses).[25] The varied nature of their work, from public interaction to physical demands and travel requirements, can make management and traditional HR practices more complex. Learn more about how to engage and support your deskless workforce.

The expanded scope of emotional support has led some managers to feel compassion fatigue, or the "physical, emotional, and psychological impacts of helping others."[26] This may be contributing to why managers often report the highest levels of burnout.[27]

Modern management is complex, and the chart below highlights some of the role's competing demands.



Considerations for decision-makers

Employees have high expectations, but employers have limited resources. It's impossible to address every want and need. Narrow your focus based on the business and talent outcomes you aim to achieve.

- **Listen to your employees** to understand their priority needs. Pulse surveys are a first step to assess the attitudes and satisfaction of your workforce but are not always effective at driving change. Deeper listening activities like focus groups can help employers understand the "why" behind survey results. Leaders then need to come together to leverage the insights and identify and prioritize specific actions that can drive meaningful changes to the employee experience.
- **Develop a more strategic approach to supporting your workforce** (with benefits). Assess the composition of your current workforce and how it may evolve in the coming years, along with any high-priority employee groups to focus on. For example, is your workforce comprised of many young or late-career workers? Are you struggling to retain employees who are caregivers? Do you anticipate high turnover among your front-line employees?

Many employees are struggling with everyday financial needs. It's threatening long-term goals, such as saving for or entering retirement, and performance at work.

- **Offer a holistic suite of benefits** to meet various employee needs.
- **Consider financial wellness benefits**—from workshops on budgeting and managing debt to financial coaching to offering an emergency savings program—that can address your employees' top pain points.
- **Remember that financial well-being is one pillar of employees' total well-being** and that experiences with finances, health, work, and life are interconnected. Taking a broad approach to financial support can drive better financial outcomes among employees while also supporting other areas of their lives.

Employees are looking for more than a paycheck. Employers are pressured to offer a wide scope of benefits and experiences.

- With pressure to meet so many demands from employees, it's important to cut through the noise and **offer what matters most**—a selection of benefits tailored to your workforce's priorities.
- While competitive compensation is the foundation of any job, employers should also **ensure the quality of core benefits**—ones that many employees and employers agree are must-haves (e.g., health insurance, retirement plan, paid time off). **Then, evaluate additional benefits that support what your workforce *wants*,** like flexible work options and career mobility opportunities.
- Providing an engaging and inclusive employee experience requires commitment to activities that build trust, foster openness and transparency, **help employees feel understood and supported, and help leaders and managers model desired behavior.**

The evolving role of managers warrants new approaches, training, and tools.

- **Consider upskilling managers** with tactics like coaching and mentoring programs. One-on-one sessions can be especially effective for leaders to pinpoint specific pain points and find ways to progress through those challenges.
- **Consider how the selection process for managers may shift, given the expansive role.** Are you hiring or promoting people with strong technical track records? Effective individual contributors may or may not possess critical leadership skills. Evaluate and select candidates who exhibit the desired leadership competencies of today (e.g., communication, conflict resolution, mentoring).
- **Evaluate your approach to performance management.** Consider whether managers are formally rewarded for exhibiting effective leadership behaviors and creating healthy teams. The behaviors and outcomes for which you reward managers convey what your organization cares about.
- Managers are on the front lines of benefits engagement but cannot be the only champions. **Consider providing all employees resources to better navigate the benefits** you offer.

WORKPLACE THOUGHT LEADERSHIP

What's trending in total rewards

Why compensation, benefits, and the workplace experience all matter

Total rewards programs have perhaps never been a more important tool for employers to effectively retain, engage, and recruit talent. As employees look to their organization for support across more facets of work and life, employers are relying on total rewards programs to convey the value of the widespread support they offer.

Examining trends in total rewards can help employers determine the competitiveness of their offerings and ways to better align them with business goals and employee needs. As HR leaders attempt to address the expanded scope of employee needs amid budget constraints, the good news is that more is not necessarily better. Rather, focusing on offering the *right combination* of total rewards components is linked to better outcomes for both employers and employees.

Must-haves and game-changers

Employers should first understand their own goals in order to craft a total rewards program that delivers more value to the organization. Then, take steps to understand your workforce's top priorities. What do they care about? What are their goals? How do they want to be recognized? Might a certain high-priority group of employees be facing a specific challenge or have a shared goal? While the priorities may look different across your workforce, they can help you narrow the focus to employees' high-value areas.

Employees have high expectations, but the right mix of ingredients across the total rewards spectrum—especially "must-haves" and "game-changers"—can help you support their priorities and, in turn, support your business goals.

Fidelity's research illustrates how some benefits are now considered a minimum standard, expected as part of a job, or simply, "must-haves." Others, however, help differentiate one employer from another. In these cases, benefits can be considered "game-changers" or components that exceed employee expectations and seal the deal with prospective talent or retain top performers.

While game-changing benefits are often idiosyncratic and dependent on an individual's current needs, goals, or life stage, employers and employees generally see eye to eye on what they view as must-haves: a workplace retirement plan, employer contribution/match to retirement plan, health plan, dental and vision insurance, paid time off, and paid sick leave.[28,29]

Here, we explore the range of benefits and other elements that make up the total rewards spectrum, offering additional insights into their role and which stand out as must-haves or game-changing differentiators.

FIGURE 2: **Top must-have and game-changing benefits**

7 MUST-HAVE BENEFITS

Health insurance

Dental insurance

Paid time off (PTO)

Vision insurance

Workplace retirement plan

Paid sick leave

Employer match

TOP 3 GAME-CHANGING BENEFITS

Remote/hybrid working

Flexible working hours

Compressed workweek

Source: Fidelity's Employee Value of Benefits survey of 5,009 full-time employees with access to workplace benefits, August 2024.

FIGURE 3: **The spectrum of total rewards**

TANGIBLE ⟷ EXPERIENTIAL

Compensation

- Competitive base pay
- Attractive bonuses
- Rewards and recognition
- Equity compensation

Health & wealth benefits

- Health insurance
- Dental and vision insurance
- Workplace retirement plan
- Life insurance

Strategic benefits

- Family forming
- Paid parental leave
- Childcare benefits
- Tuition reimbursement
- Student debt assistance
- Retiree medical
- Charitable program

Work-life balance

- Paid time off (PTO)
- Paid sick leave
- Work-life balance
- Stability and job security
- Manageable workload

Experiential benefits

- Positive relationships with manager and colleagues
- Sense of inclusion and community
- Positive workplace culture
- Meaningful work
- Ability to use skills at work
- Opportunities for learning, growth, and advancement

Compensation—thinking beyond cash

After a brief period of broad-based wage growth, employers are no longer able to continue offering increasingly competitive salaries to attract talent. This comes at a difficult time for employees, many of whom are struggling with the rising cost of living and still consider their compensation the most important factor in taking or staying at a job.

Equity compensation as part of the picture

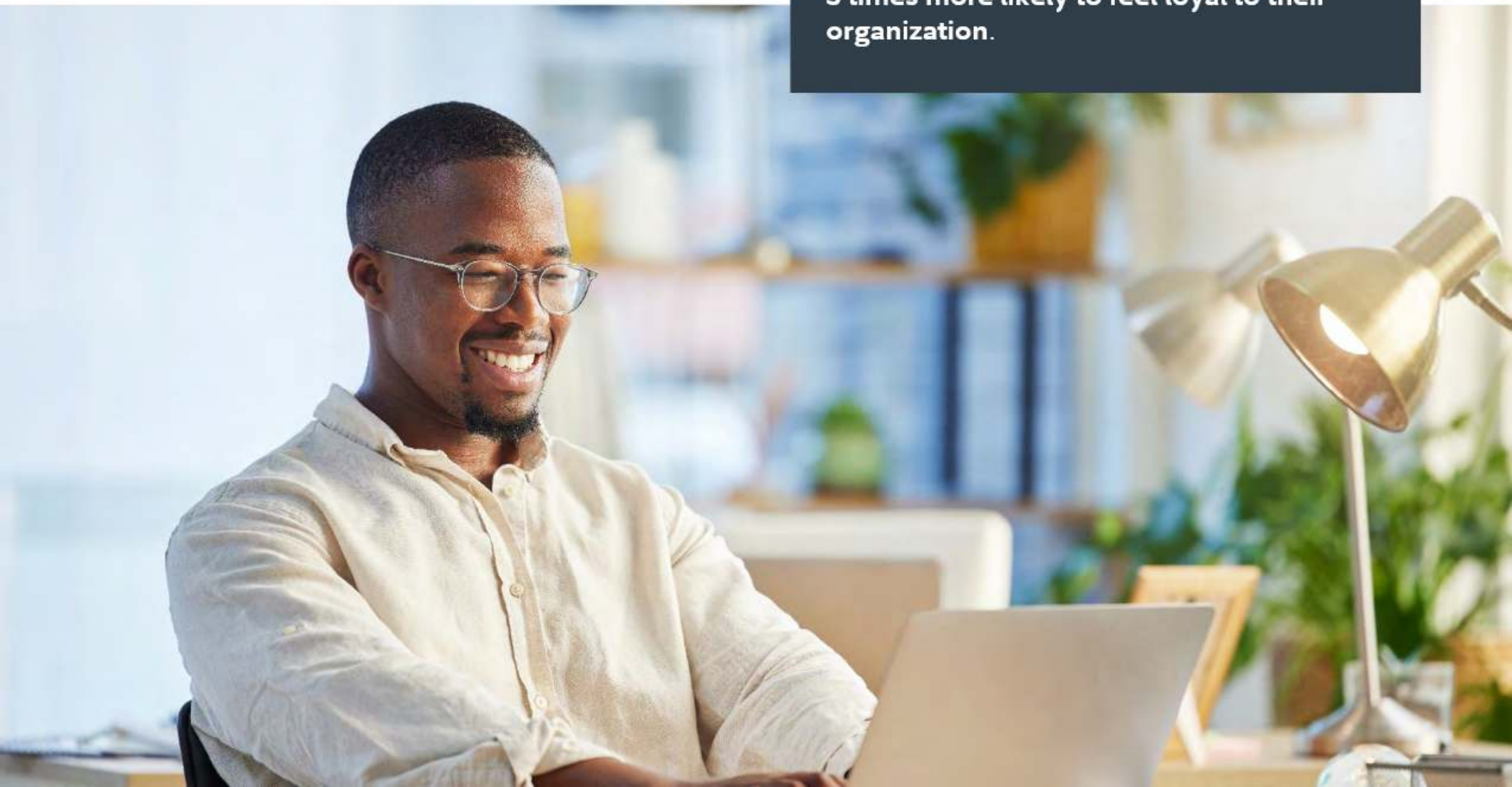
Many employers want to boost the competitiveness of their pay packages and are revisiting their strategy to ensure all components of their compensation package work together. Core compensation is still the focus for many employees who are living paycheck to paycheck, but other financial incentives can be an important tool across the workforce. For employers, this means getting more creative with other financial rewards, such as equity compensation.

Equity compensation, including restricted stock, performance awards, stock options, and employee stock purchase plans (ESPPs), may positively impact employees' financial well-being. In fact, those employees who include equity compensation in their calculation of total pay are more likely to be financially confident.[30] Further, employees who are enrolled in an ESPP are, on average, saving 32% more for retirement in their defined contribution plan than employees who only contribute to a defined contribution plan.[31]

Interestingly, employees are not the only ones who benefit from equity compensation offerings; employers stand to gain as well. In fact, employees who consider equity compensation in their financial plan are nearly 3 times more likely to feel loyal to their organization.[32]

Success is intertwined

Employees who consider equity compensation in their financial plan are nearly **3 times more likely to feel loyal to their organization**.

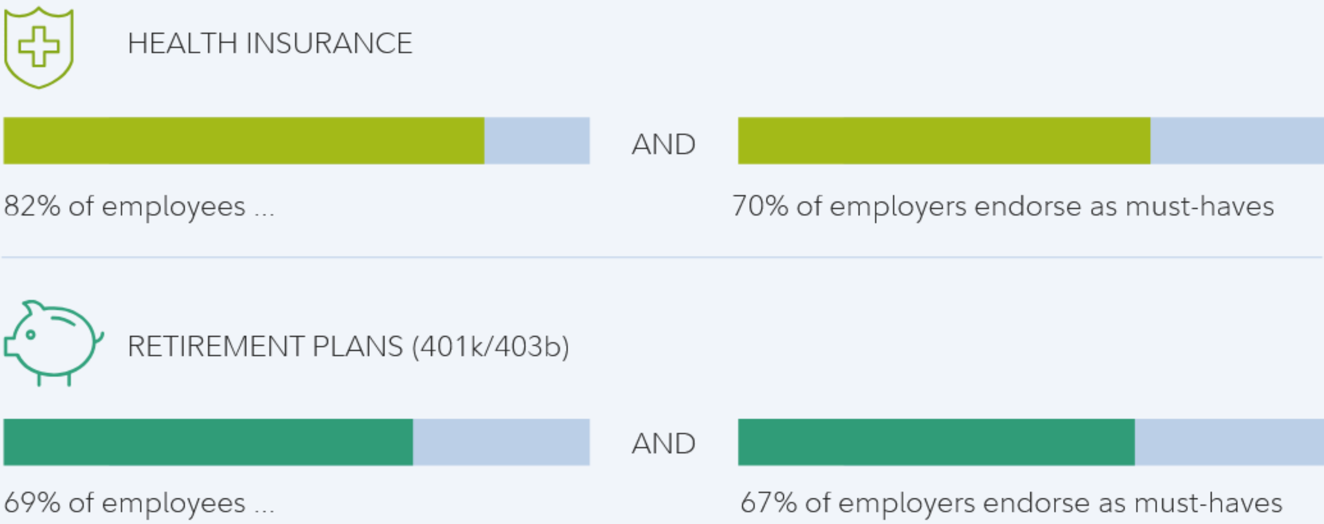


The must-haves* of retirement and health care benefits

Employers and employees generally agree on what is considered a must-have, including health, dental, and vision insurance and a workplace retirement plan with an employer match. Employers continue to invest generously in these benefits, which consume most of a benefits budget and typically see the highest utilization among employees.

FIGURE 4: **Employers and employees agree on "must-have" benefits**

As employees consider their top priorities beyond compensation, health insurance and retirement plans are now largely expected.



Sources: Fidelity's Employee Value of Benefits survey of 5,009 full-time employees with access to workplace benefits, August 2024. Fidelity's Employer Value of Benefits survey of 1,500 HR and benefit decision-makers representing employers across industries and sizes, August 2024.

Declining health can lead to declining wealth

More than 1/3 of adults (34%) delayed or skipped care due to costs in the last 2 years,[33] and personal management of chronic disease has declined significantly in the last 5 years.[34] Similarly, 4 in 10 individuals say they are not getting yearly physical exams, screenings, or check-ups.[34] But delaying regular health care is linked to higher long-term costs for employees and the employers that insure them.

Rising costs also mean rising medical debt—even for households with health insurance, which carry a median of $2,000 in medical debt.[35] With early onset cancers on the rise among younger adults,[36] a mental health crisis, and soaring drug prices, employees are looking to their employers for more help navigating the health care system and paying for care, and companies are feeling the impact on their bottom line. This pivotal benefit is a top priority for employees, with nearly 4 in 10 employees saying they want their employer to improve the quality of their health insurance.[37]

* Must-haves are categorized as benefits that were endorsed by 50% or more of employees and employers. Employees and employers had the same must-haves, although they varied in relative order.

The continuing pressure to get health care right

Health care coverage continues to be the most expensive benefit for employers. Of the benefits leaders Fidelity surveyed, 61% said health care costs negatively influence their company's business strategy and operations.[38] Rising costs are contributing to a trend of employers scrutinizing carriers and third-party administrators, as well as challenging pharmacy benefit managers to better manage the cost of expensive specialty drugs.

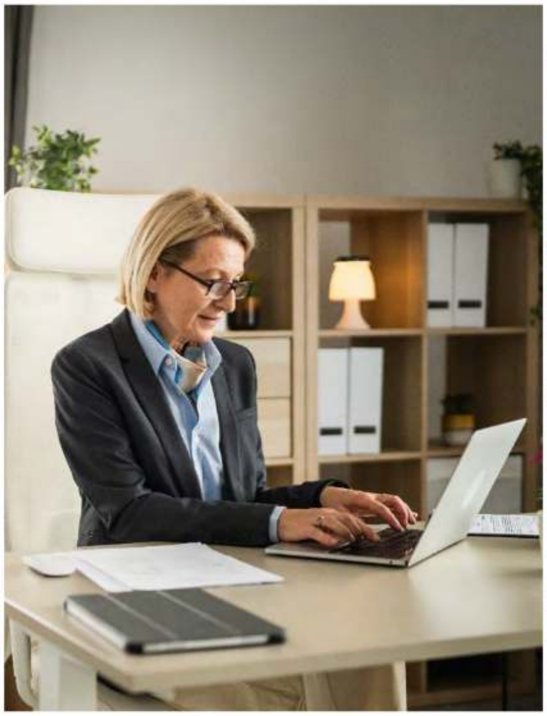
To drive more value for employees and employers alike, several trends are influencing health care benefits strategies:

- **Simplifying health care navigation:** Existing health navigation strategies are not working, especially as the health care landscape becomes more crowded and confusing. Clinical navigation solutions can help employees navigate the increasingly complex view. This higher-touch support may be a greater investment of time and resources but may also help employees understand and use their benefits more, contributing to a healthier workforce. In turn, employees may value the benefit more and give credit to the employer.

- **Getting more strategic about mental health:** Mental health benefits should work in concert with other benefits that, on their face, may not be recognized for their role in supporting mental health. For example, improvements to physical and financial health can improve mental and emotional well-being.[39] On a broader scale, Fidelity's total well-being research suggests that all domains of total well-being—finances, health, work, and life—are interconnected, and positive or negative drivers within each domain can impact outcomes in other domains.[40] Employers should be creative about the delivery of digital therapeutics, focus on the alleviation of employees' financial anxieties, and reflect on how their workplace is contributing to or actively combatting poor mental health and mental health stigmas.

41% percent of employees report that they or someone in their household have a diagnosed mental health condition. [41]

- **Helping employees pay for care:** Employers are eyeing health benefit accounts as a line of financial defense for employees and are increasingly providing benefits like a health savings account (HSA) to help employees cover current expenses and build assets that can pay for future health costs through retirement. With the growing pipeline of employees transitioning to Medicare and an average individual retiree health care spend projected to be $165,000 during their retirement,[42] employers should also include retiree health cost education and point employees to Medicare planning resources to prepare for this shift.


Saving for retirement, or whatever may come next

The idea of what retirement looks like has shifted across generations of workers. Where it was once considered a time to slow down, now retirement is a chance to start something new, pursue passion projects, and focus on mental and physical well-being. Some people want to continue to work in retirement to add structure to their days or try something new. Others need to keep working for the income. Among younger workers, the idea of traditional retirement may resonate even less as they pursue a more balanced work-life over a longer period of working years. Younger generations may have a future with multiple careers or choose to slow down or take breaks from work at various times to travel, pursue passions, or care for children or family members. Whatever the reason, the concept of retirement is becoming less defined.

This evolution of "what comes next" may warrant retirement savings vehicles that can adapt to multiple cycles of accumulation and decumulation. This may lead to new requests from employees—like access to products that provide retirement income or Roth options—and may be a driving factor influencing future plan design changes. One example is the IRS's recent Private Letter Ruling (PLR), which expands employee choice in terms of reallocating a portion of their 401(k) employer contribution to another tax-advantaged benefit.*

An individual's retirement plans must be funded, whether they are an evolving vision or for a more traditional retirement. Therefore, it's not surprising that employees and employers view the workplace retirement plan as a critical must-have benefit that enables long-term goals, whatever they may be.

* A Private Letter Ruling (PLR) is a written decision by the Internal Revenue Service (IRS) in response to a taxpayer's request for guidance regarding an unusual circumstance or complex question regarding their specific tax situation. PLRs are only applicable to the taxpayer and their specific situation in the request and in no way binds the IRS to take a similar position when dealing with other taxpayers. However, the IRS has generally taken a consistent approach when issuing PLRs on similar requests in the past.

Trends in defined contribution (DC) retirement plans

The private retirement system continues to exhibit enormous strength, providing access to employer-sponsored DC plans to 2/3 of full-time employees in the US.[43] Participation in workplace plans has hit record levels—driven in part by the proliferation of automatic enrollment. Likewise, retirement account balances have reached all-time highs, with an average of $132,300 in 401(k)s and $119,300 in 403(b)s in the latter half of 2024. Healthy markets and strong employee and employer contribution rates have contributed to these upward trends. Read more about workplace retirement trends.

Workplace plans remain a preferred savings vehicle among workers looking to benefit from tax-deferred contributions and growth. However, Roth options are slowly gaining traction in plans, primarily among the youngest savers who may benefit from long-term, tax-free growth.[44]

Since our research indicates that access to a workplace retirement plan and match are must-have benefits, for certain employers where retirement benefits are not currently offered, a plan could be considered game-changing for employees. For example, many small businesses in the US do not offer workers a DC benefit, generally due to costs and administrative complexity, though their employees may perceive the benefit as a motivator. Fortunately, smaller employers are increasingly adopting plans, bolstered by newer savings options like pooled employer plans (PEPs) and state-run retirement programs.

FIGURE 5: **Automatic enrollment is driving higher participation rates**

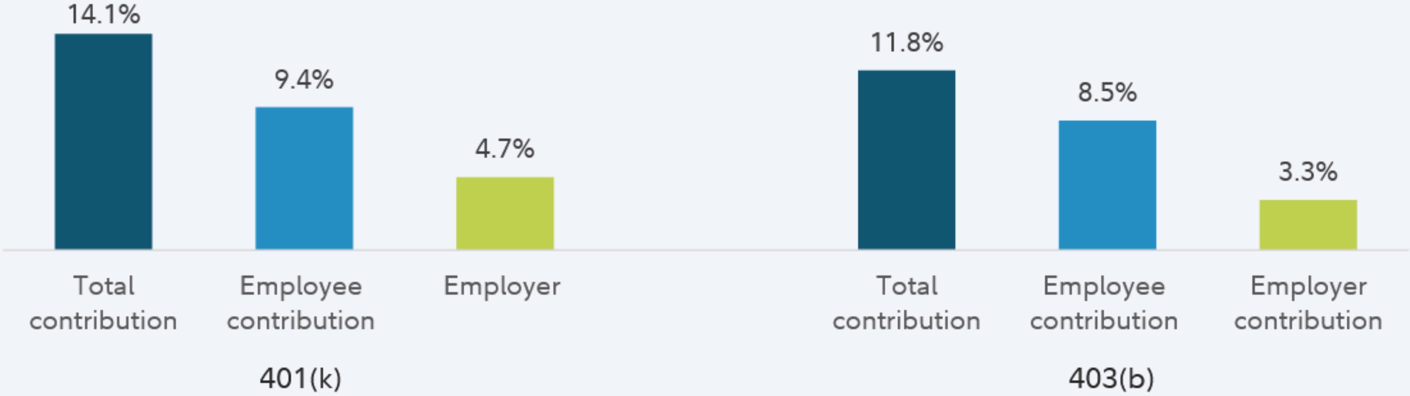
Plans with automatic enrollment have much higher levels of participation than plans without automatic enrollment.

Source: Fidelity Investments Q4 2023 401(k) data based on 26,100 corporate defined contribution plans and 24 million participants, and 403(b) data based on 10,010 tax-exempt plans and 8.6 million participants. Data as of December 31, 2023. Figures are rounded to nearest whole number.

FIGURE 6: **Contribution rates nearing recommended savings guidelines**

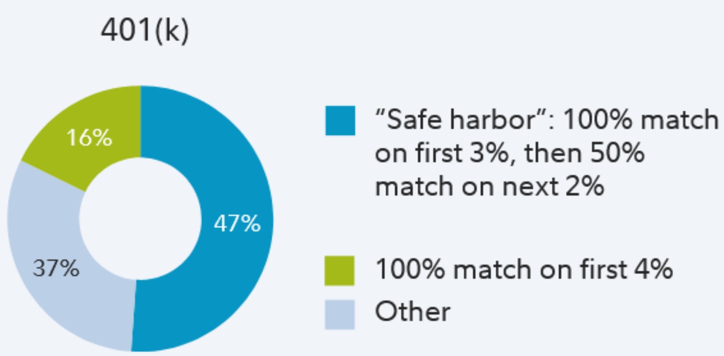
Contribution Rates

Contribution rates are nearing Fidelity's guideline of saving 15% a year for retirement.

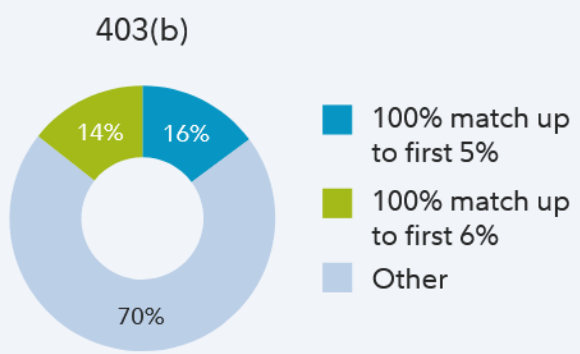


Source: Fidelity Investments Q3 2024 401(k) data based on 26,400 corporate defined contribution plans and 24.4 million participants, and 403(b) data based on 10,800 tax-exempt plans and 8.9 million participants. Data as of September 30, 2024.

Most Common Employer Contribution Formulas



The most common 401(k) match formula is the "safe harbor" design. The second most common match formula is a 100% match on the employee's first 4%.



The most common 403(b) match formulas are 100% on the employee's first 6% and 100% on the employee's first 5%.

Note: Figures may not add up to 100% due to rounding. While the majority of employers and employees agree that workplace retirement plans and an employer match are must-haves, the quality of the offering, including a competitive employer match, can be a differentiator by exceeding employees' expectations.

Source: Fidelity Investments Q3 2024 401(k) data based on 26,400 corporate defined contribution plans and 24.4 million participants, and 403(b) data based on 10,800 tax-exempt plans and 8.9 million participants. Data as of September 30, 2024.

FIGURE 7: **401(k) industry insights**

Industry	Balance	Total Savings Rate	Employee contribution rate	Employer contribution rate
Airlines	$176,800	18.6%	10.7%	7.9%
Automotive	$114,400	12.7%	7.8%	4.9%
Chemicals & Plastics	$188,200	17.5%	10.4%	7.1%
Computer & Electronic Manufacturing	$211,300	16.4%	11.1%	5.3%
Construction	$89,000	12.2%	8.1%	4.1%
Energy Production/Distribution	$226,000	17.5%	10.4%	7.1%
Finance & Insurance	$162,500	15.5%	10.0%	5.6%
Physicians	$183,700	14.0%	10.0%	4.0%
Health Care (excl. Physicians)	$70,800	10.9%	8.0%	2.9%
Information	$163,100	17.0%	11.8%	5.3%
Legal Services	$321,700	15.6%	10.9%	4.7%
Media & Entertainment	$131,800	13.3%	9.2%	4.1%
Metals & Machinery	$161,400	15.4%	9.1%	6.3%
Petrochemical	$265,700	18.9%	10.8%	8.1%
Pharmaceuticals	$224,900	19.4%	11.8%	7.6%
Professional Services	$128,100	14.0%	10.2%	3.8%
Real Estate	$74,400	12.3%	8.0%	4.3%
Retail Trade	$56,000	10.3%	7.4%	3.0%
Scientific & Technical	$116,600	12.6%	9.5%	3.1%
Technology	$209,700	17.1%	12.5%	4.6%
Transportation	$135,000	15.6%	9.5%	6.1%
Wholesale Trade	$109,700	13.6%	8.7%	4.9%

Source: Fidelity Investments Q2 2024 401(k) data based on 26,100 corporate defined contribution plans and 24 million participants as of September 30, 2024.

Note: While the majority of employers and employees agree that workplace retirement plans and an employer match are must-haves, the quality of the offering, including a competitive employer match, can be a differentiator by exceeding employees' expectations.

Strategic benefits

Benefits that meet point-in-time needs often serve a smaller portion of the workforce but can be game-changers to the population they serve. Student debt assistance and paid care leave are 2 benefits that rank as game-changers for certain populations.

Across Gen Z, millennials, and Gen X in the workforce, more than 1 in 5 said that student debt benefits would be a game-changer in their benefits lineup.[45] Interestingly, more than 1 in 10 employees in the baby boomer generation also said student debt benefits would be a game-changer. Contrary to popular belief, baby boomers have the highest average student debt balance, likely due to taking out loans to help children or grandchildren pay for college. With the average federal borrower owing $500 per month,[46] it is not surprising that 2/3 of employees repaying student debt feel their debt hinders them from saving for goals like buying a home or retiring.[47]

Additionally, benefits like paid care leave and paid parental leave are highly valued, with nearly 1/4 of employees caring for children saying this would be a game-changing benefit. (This figure is slightly higher among female caregivers.) Across all employees caring for children, on-site childcare was the highest-endorsed game-changing benefit, reflecting the challenge working parents have in finding affordable and trusted childcare built around a traditional, 9-to-5 workday.[48]

Understanding the needs of your unique workforce is critical to ensure that benefits are aligned with and valuable to your employee population. Targeted benefits can help attract and retain strategic groups of employees and help them meet some of their more immediate and pressing challenges.

Student debt payments across all age groups negatively impact savings.

$500 average monthly student debt payment[46]

1 in 5 employees said student debt assistance is a game-changing benefit[45]

Work-life balance

Work-life balance continues to be a top priority for employees, and organizations are considering ways to foster employee well-being more holistically at work. Employees view paid time off (PTO) and paid sick leave as must-haves, and research shows that employees who take time away from the workplace face less sustained stress, which can improve focus, creativity, productivity, and overall health.[49] When asked which benefits employees would add (if they do not already have them), workplace flexibility-related benefits stood out as the most common game-changers, signaling that employees are looking for more autonomy in how, where, and when they work.

It must be noted that to truly benefit from these offerings, employees must feel encouraged and secure in using them. This is particularly true for organizations that have implemented an "unlimited PTO" policy, which can be difficult for employees to interpret on their own. Simply having access to PTO may not be enough if an organization's or individual leader's culture does not demonstrate healthy utilization of this benefit.

FIGURE 8: **Employees want work-life balance and flexibility benefits**

MUST-HAVES

- Health insurance (82%)
- Dental insurance (74%)
- **Paid time off (73%)**
- Vision insurance (69%)
- Workplace retirement plan (69%)
- **Paid sick leave (67%)**
- Employer match (56%)

TOP 3 BENEFITS EMPLOYEES WOULD ADD (beyond must-haves)

- **Compressed workweek (24%)**
- **Remote/hybrid working (20%)**
- **Flexible working hours (19%)**

Other benefits **Work-life benefits**

Source: Fidelity's Employee Value of Benefits survey of 5,009 full-time employees with access to workplace benefits, August 2024.

Experiential benefits

Employees have human needs like the need to belong and feel a sense of control—and employers have an opportunity to create a workplace that meets these needs and allows employees to thrive through experiential benefits.

Unlike retirement and health plans, experiential benefits are intangible. Implementing such policies may be more difficult because they are less concrete, but they are shown to greatly improve outcomes for both employees and their employers. In fact, recent Fidelity research shows that those who have their psychological needs met at work are more likely to be "thriving" at work—that is, putting in high effort, experiencing lower burnout levels, and reporting higher satisfaction in their job. These thriving employees, who account for only 16% of the working population, also report stronger performance and better well-being, have less intention to leave their role, and are more loyal to their organization.

As cost remains a key concern in HR departments, it is important to recognize that intangible benefits often do not require a new line item in an operating budget. Meeting employees' psychological needs, like culture, belonging, and connection, can be a cost-conscious way of enabling more employees to thrive at work.

Once a solid foundation of must-have benefits is in place, employers should consider how to enhance the workplace's experiential benefits. This can include ensuring the right level of individual choice and control over how work is done, fostering connections between colleagues, managers, and leadership, providing opportunities for growth and development, and connecting employees to the purpose and mission of their work.

FIGURE 9: **Workplace experiences employees care most about**

Positive relationship with manager

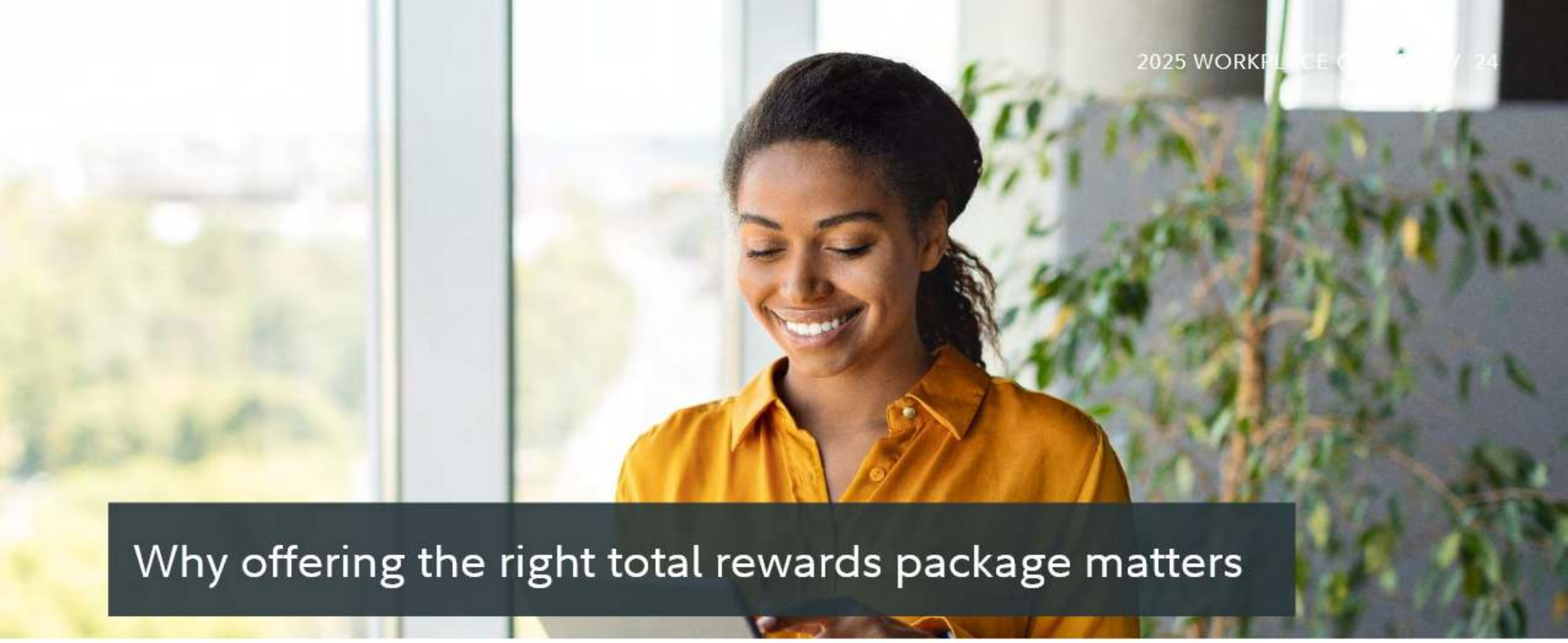
Ability to **use skills** at work

Positive relationships with colleagues

Meaningful work

Positive workplace **culture**

Source: Fidelity Thriving Workplace Employee Survey, 2023.



Why offering the right total rewards package matters

Combination and quality

Employees with access to all 7 must-have benefits demonstrate significantly better outcomes than those with 6 or fewer benefits. Outcomes include increased benefits satisfaction, increased job satisfaction, and lower levels of burnout, emphasizing the importance of comprehensive benefits in supporting employee well-being.

While providing access to these 7 must-have benefits improves employee outcomes, the quality of these benefits matters even more. Well over half of employees would prefer their employer focus on improving the quality and affordability of their current benefits before investing in new benefits.[50] This is especially true for health insurance quality, retirement plan match, and paid time off.

When an employer has a solid foundation of both must-have and game-changing benefits, it can focus on enhancing the employee experience through intangible benefits—which can often be amplified without adding an additional line item to the benefits budget. It can also focus on the quality of the workplace experience and culture. Together, this suite of offerings has the potential to increase the number of employees who are thriving at work, drive overall well-being, and improve retention.

Communication is vital when it comes to engagement

Many employees don't focus on benefits until they need them and may not be aware of how total rewards packages are designed to support their well-being. However, consistent curated communication and reminders can enhance employee awareness, utilization, and appreciation for benefits programs. Focus on delivering the right information about the right topic at the right time and through the right channel to meet employees where they are.

Thoughtful and deliberate communication and visuals that help employees understand how their total rewards package supports their well-being across the spectrum of needs, such as shown in the hierarchy in Figure 10, can demonstrate to employees how your program provides holistic and directed support beyond compensation.

FIGURE 10: **Hierarchy of support**

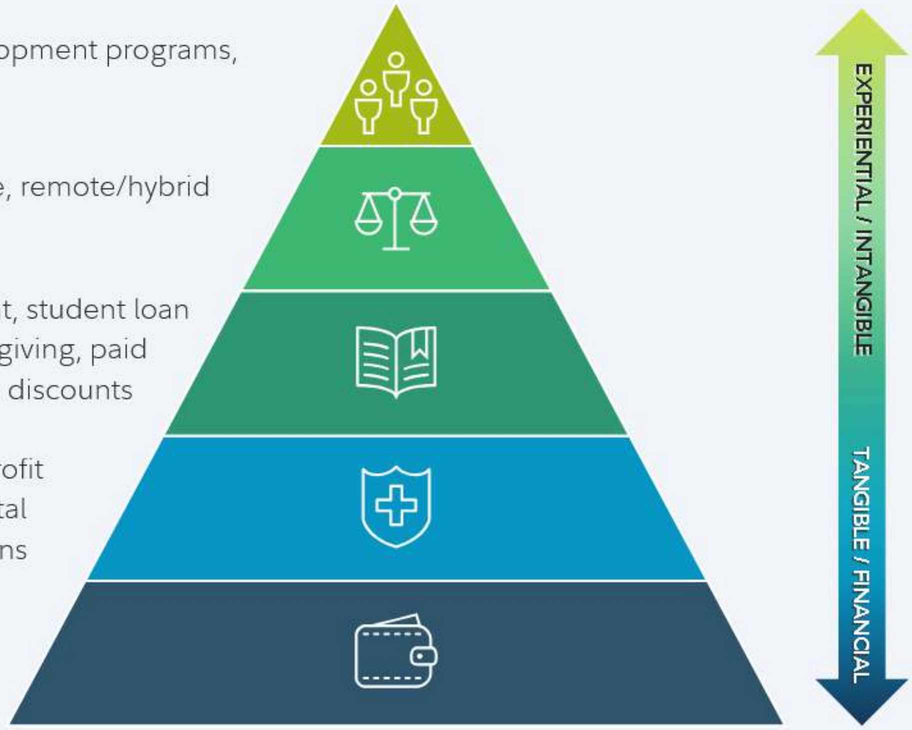
Experiential benefits: Professional development programs, community and belonging, culture

Work-life balance: Paid time off, flex time, remote/hybrid work, wellness programs

Strategic benefits: Tuition reimbursement, student loan repayment, family forming, childcare/caregiving, paid parental leave, legal assistance, employee discounts

Health & wealth benefits: Retirement, profit sharing, health (physical and mental), dental and vision, life and disability insurance plans

Compensation: Pay, bonuses, overtime, performance incentives, equity compensation, stock options



Considerations for decision-makers

A successful total rewards strategy is multifaceted and unique to the workforce it serves. It's important to consider all categories of benefits when developing your strategy, from compensation to benefits to your employee experience.

- **Look at your rewards package holistically.** Examine each component for impact and effectiveness. Consider discontinuing low-value benefits in favor of ones that support employee and/or employer goals.
- Beyond measuring enrollment and utilization, **assess the strength of your total rewards package by listening to employees through mechanisms like pulse surveys, focus groups, and employee resource groups.** The value of direct employee feedback and listening cannot be overstated, particularly to understand evolving needs and uncover areas of opportunity.
- **Consider low-cost, high-impact benefits** such as flexible work schedules. These benefits can make a significant difference to employees struggling to balance family and work. For instance, allowing employees to work outside of a strict 9-5 schedule allows them to avoid rush-hour commuting and can alleviate family scheduling conflicts.
- **Lean into experiential benefits** like enhancing the workplace culture and opportunities for connection.

Increasing costs are forcing employers to assume a greater portion of health care spend.

- Because health care costs are often driven by a relatively small population of high-need employees, **more intensive case management programs, tighter prescription drug programs, and stop-loss programs can help** to better manage claims and costs.[51]
- **Rely on HSAs paired with a qualified health plan** as a line of defense to help employees save for immediate health care expenses and invest for longer-term health care needs.[52]
- **Review your vendor management strategy** to ensure your providers are meeting their contractual obligations. Ensure that they are aligned with your business, workforce, and benefit goals.

WORKPLACE THOUGHT LEADERSHIP

In the spotlight: Improving retirement readiness and financial security among underserved communities

Drive engagement and utilization by making your retirement plan work for all employees

Much work remains to improve the financial security of underserved groups. As the workforce continues to diversify with more women, racial and ethnic groups, and LGBTQ+ representation, this focus is particularly critical.

Financial priorities and behaviors are heavily influenced by an individual's identity, life experiences, culture, and financial starting point. Factors like lack of access to financial education, systemic barriers to financial products, and varying attitudes toward retirement contribute to these discrepancies, leaving many underserved communities with higher levels of financial instability on average.

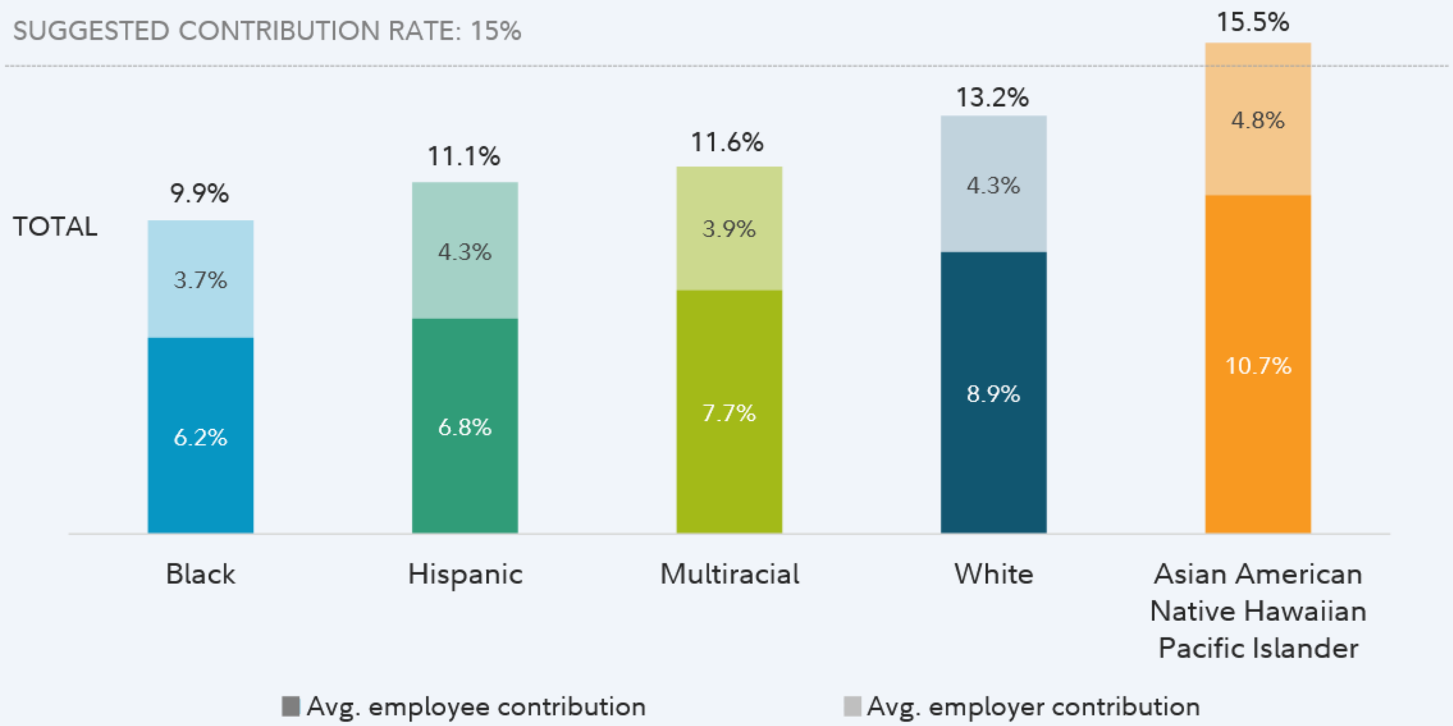
Remember that the financial wellness journey is not the same for everyone, and not all communities are faring equally. Decision-makers across HR, compensation, and benefits should evaluate the retirement readiness of their employee population and assess areas of need—particularly among employees from historically underserved groups—to ensure their workplace plan is meeting the needs of all employees and that the employer is benefitting from high benefits engagement.

Opportunities to produce results

Financial behaviors and attitudes only account for a portion of the gap in retirement preparedness. While systemic barriers to financial equity still exist within communities, our research points to opportunities to adjust key plan design features—such as automatic enrollment and automatic increase—that may accelerate retirement readiness across the entire workforce, with an outsized effect among less engaged populations.

FIGURE 1: **Retirement contribution rates by race and ethnicity**

Even when controlling for gender, age, income, and tenure, differences in savings and retirement readiness persist, particularly for those with Black, Latino, or intersectional identities. With lower average total contributions, more employees missing their full employer match, and a higher likelihood of taking early withdrawals and loans, Black, Hispanic, and multiracial employees are falling behind in meeting their retirement savings goals.



Source: Fidelity's 2024 Diversity Analytics Benchmarking Data.

Note on sample: Race/ethnicity information was available for a small subset of plan sponsors, representing a limited number of industries, job roles, and plan designs. This sample also reflects plans that proactively enrolled in this body of research, which may indicate a higher-than-average focus on employee engagement. For this reason, we hypothesize that these insights are above the true population averages and are subject to change as more information becomes available.

When eligible, Black and Latino employees are the least likely to proactively enroll in a workplace retirement plan, perhaps due to competing financial priorities, a lack of trust in financial institutions, or other factors.[53] Research shows that only 35% of Black and 26% of Latino US households are investing in a workplace retirement account, compared to 57% of White households.[54]

Even when enrolled, 16% of Black and 13% of Latino employees are not actively contributing, while many others contribute only at the plan's default deferral rate rather than at their match ceiling.[55] Because of lower deferral rates, many employees are missing their full employer match, resulting in lower total contribution rates and critical match dollars left on the table. This reduces the long-term growth potential and compounding interest that amass throughout an employee's accumulation phase.

FIGURE 2: **Many employees are missing their full employer match**[42]

Missing their match:

51% of Black employees

45% of Latino employees

43% of multiracial employees

These employees exhibit the highest likelihood of remaining at a plan's default deferral rate for extended periods, as this may be viewed as their employer's "suggested" savings amount.

Source: Fidelity's 2024 Diversity Analytics Benchmarking Data.

Closing the retirement savings gap through enhanced plan design and automatic features

While education and communication are important tools for closing prevailing retirement savings gaps, our research suggests that thoughtful plan design can also contribute major gains toward this goal.

For example, features like automatic enrollment (AE) and re-enrollment, annual increase programs (AIP), and a strategic default deferral rate can potentially enhance retirement preparedness for all employees, particularly those who are less engaged.

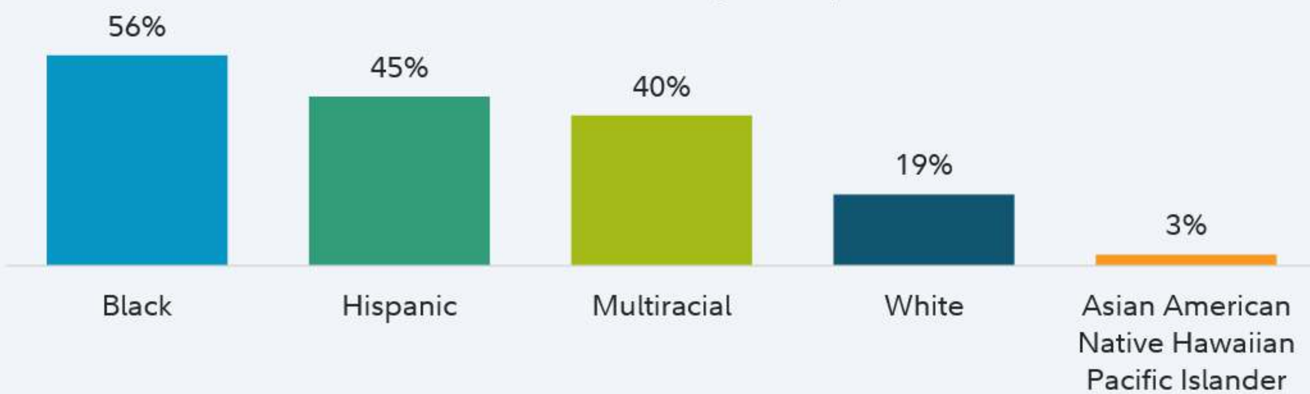
Beginning in 2025, the Setting Every Community Up for Retirement Enhancement 2.0 Act (Secure 2.0) will require automatic enrollment in all new defined contribution plans, signaling the impact automatic features have had on participation and savings rates.

FIGURE 3: **Reducing savings gaps through automatic features**

Plans with AE reduce the gap in participation between Black, Hispanic, and White participants by half. With an automatic deferral rate set to the plan match, 82% of Black and 86% of Latino employees would be earning their match.

% improvement in employee deferrals of participants with AIP vs. without*

*Excludes those hitting the AIP cap



Source: Fidelity 2024 Diversity Analytics Benchmarking Data.

Early withdrawals signal more help is needed with emergency expenses

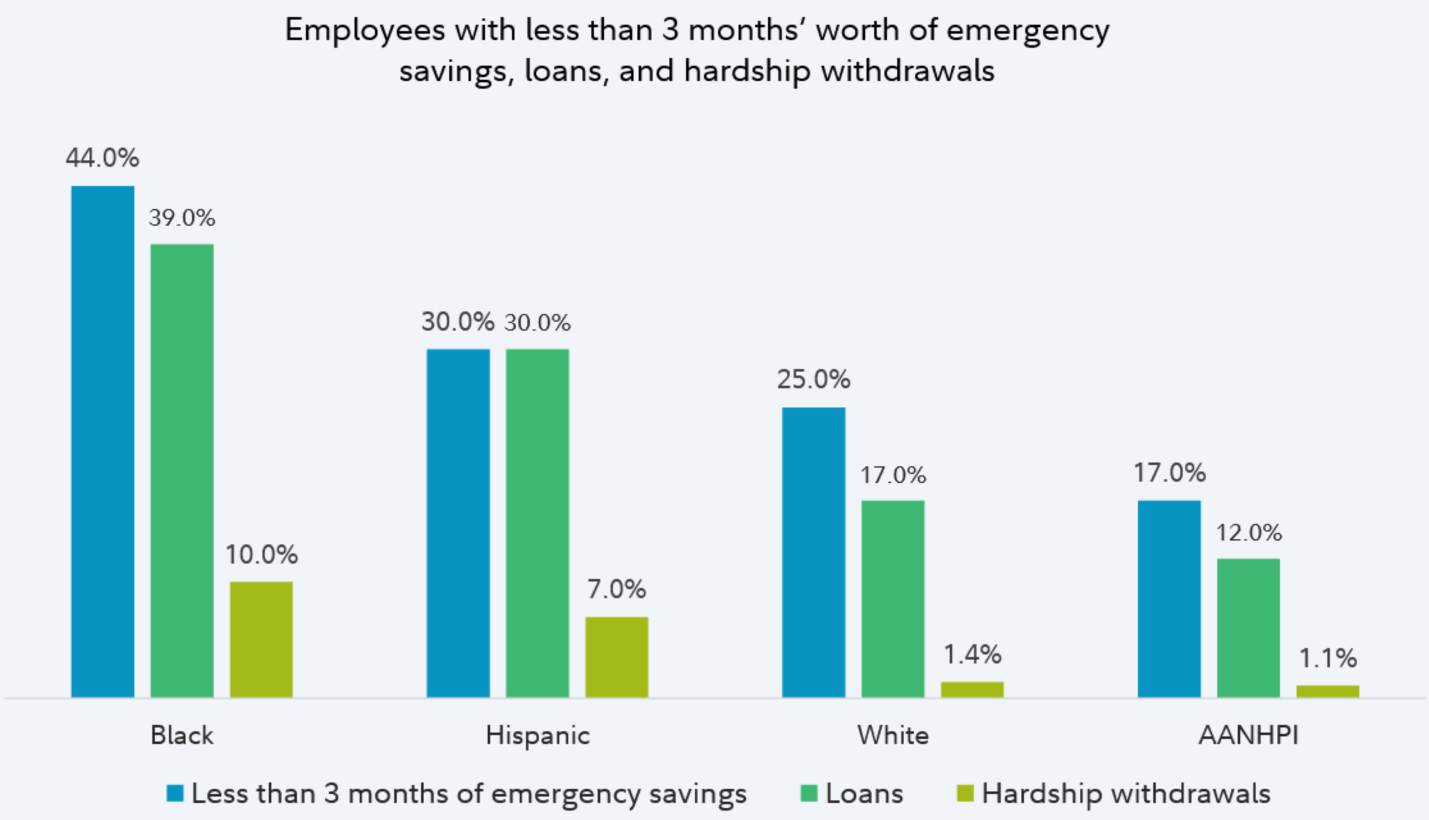
Early withdrawal behaviors often signal a lack of emergency savings, where employees dip into their retirement accounts during an emergency. Early withdrawals, particularly hardships, have been growing since 2018 when the Bipartisan Budget Act reduced the requirements employees had to satisfy before taking a hardship withdrawal. Then, with the enactment of SECURE 2.0 in 2022, lawmakers allowed employers to offer additional penalty-free withdrawals under certain conditions.

The prevailing reasons employees turn to hardship withdrawals are to avoid foreclosure or eviction and to cover medical expenses.[56]

Beyond hardship withdrawals, many employees are also turning to their retirement savings accounts for loans to cover unexpected or more costly expenses.

Black and Latino employees, as well as employees in lower income brackets, are more likely to take an early withdrawal. In particular, Black women in lower income brackets are the most likely group to take a plan loan—often as a result of lower wages, lacking an adequate financial safety net, and/or difficulty accessing fair lending options. Unfortunately, these behaviors have the potential to further hinder retirement savings goals.

FIGURE 4: **Lack of adequate emergency savings linked to higher likelihood of plan leakage**



Sources: Emergency savings data from Fidelity's 2022 Total Wellbeing Survey. Loan and hardship withdrawal data from Fidelity's 2024 Diversity Analytics Benchmarking Data.

Balancing access to loans and withdrawals with the right support for future decision-making

Loan and withdrawal features can serve an important role for those who may not have ready access to traditional fair lending options, and loans, in particular, may also be utilized as a strategic borrowing option. While regular early withdrawals can be detrimental to the long-term growth of retirement savings, some employees may be better off turning to their retirement account to cover emergency expenses rather than relying on high-interest lending options (like credit cards, personal loans, payday lenders, etc.). This is especially true for employees who are earning an employer match, which otherwise would be forfeited completely had they not been contributing in the first place.

Employers may also consider that the decisions employees make with their money may not conform to conventional financial planning practices but may still be rational, based on employees' values and goals. While saving for retirement is considered a top goal across all employee groups, in some cases, other financial priorities may take precedence.

Considerations for decision-makers

Supporting employees from underserved backgrounds may require new tactics, and plan design can play an important role in helping to prepare employees for a more secure financial future.

> **Assess engagement and savings trends** and consider what plan design features could be implemented to enhance financial well-being and retirement readiness across the workforce.

> **Engage Employee Resource Groups for feedback** and utilize other employee listening tools to understand where there are gaps in employee well-being and how to ensure your benefits package is designed with your unique workforce's needs in mind.

> **Enhance your plan by adding relevant education and clear employee communications.** Emphasize financial basics like creating a budget, debt management, and an appropriate savings hierarchy. Additionally, ensure that other financial benefits and rewards that may help with managing everyday expenses (like any available employee discounts on essential services like phone, internet, etc.) are clearly communicated.

Nearly 50% of eligible but unenrolled employees intend to sign up for their workplace savings plan in the future, but inertia may prevent some from proactively enrolling when the time is right.[57]

> **Consider annual automatic re-enrollment** to capture those who may have opted out during initial enrollment or put their retirement benefits on the back burner. Automatic re-enrollment can be meaningful for employees outside of benefit enrollment season, especially during busy periods when learning about their retirement benefits was not a priority or for those who may not have otherwise received a proper employee orientation.

Plan leakage due to loans, hardship withdrawals, and cashouts is higher among certain groups, but these employees may not fully understand the long-term financial impact of these actions.

> **Provide the right education at the right time** to engage employees and better support workers across their entire financial picture, particularly when it comes to understanding the implications of loans and withdrawals. Use clear messaging and offer resources before an online money-out application to help employees weigh potential risks to their retirement security.

> **Consider auto-portability solutions to simplify the transfer process and prevent cashout leakage** among exiting employees.

Recent analysis shows that incremental improvements in short-term savings can have an enormous impact on total well-being, but many employees are struggling to balance their budgets to accommodate cost-of-living increases and medical and student debt.[58]

> **Benefits like an emergency savings program** can go a long way in improving total and financial well-being, especially if incentivized (e.g., offering monetary incentives for engagement with financial education resources).

> Recognize that programs such as **student loan repayment assistance and HSAs have the potential to have a more significant impact on certain employee groups while also providing** a high-value benefit across all groups.

WORKPLACE THOUGHT LEADERSHIP

Legislative and regulatory outlook

Potential paths ahead

Moving forward, HR leaders will likely be concerned with the increasing costs and requirements of doing business and how that impacts benefits budgets, offerings, and compliance. Employers consistently remark about the impact of legislative and regulatory activity when evaluating total rewards offerings and plan design. As such, shifting political control in Washington may play a role in that decision-making.

The new Republican-led White House and Congress have identified several early focus areas that could impact HR leaders and employees, including extending the tax cuts from the previous Trump administration. With single-party control, Republican policy proposals could face less opposition than in a divided Congress.

Despite the political structure in Washington, policy issues like retirement reform are more bipartisan. Looking forward, we believe HR leaders should be aware of the following policy areas:

SECURE 2.0

Tax reform

Health care costs and coverage

SECURE 2.0

To date, employers have prioritized mandatory and nearer-effective-date provisions of SECURE 2.0. In 2025, many employers will still implement components of the law, shifting their attention to optional provisions with later effective dates. Employers will assess whether and how these discretionary provisions may enhance the competitiveness of their plans or better meet employees' financial needs.

Perhaps the most popular provision slated for implementation is the increased catch-up contribution limit for certain savers. Beginning in 2025, employees ages 60 to 63 can contribute up to an additional $11,250 annually (up from $7,500) to a workplace plan, providing pre-retirees the opportunity to save more in the years leading up to retirement. According to a recent Fidelity survey of more than 300 DC plan sponsors, nearly 3 in 5 employers are likely to adopt this provision.[59]

Employers are also exploring several provisions of SECURE 2.0 that aim to help employees save for retirement more effectively, including:

- **Student debt assistance:** SECURE 2.0 opened the door for employers to match their employees' student loan payments as a traditional retirement plan contribution. This provision aims to allow employees who are repaying student debt the option to still earn a match to their retirement plan, thus tackling 2 financial goals at once. Given that repaying student debt remains a barrier to saving for retirement, many employers are currently implementing this benefit to their plan or considering it for the future.
- **Auto-portability:** The law allows employers and retirement plan providers to take steps to reduce leakage from retirement plans, particularly for terminated employees with smaller dollar accounts (under $7,000). By enabling retirement plan providers to provide automatic portability services, an employee's retirement account can be automatically transferred from their former employer's plan to their new employer's plan. The system helps reduce employers' costs and administrative burdens and preserves employees' retirement savings. Nearly 2 in 5 employers say they plan to adopt this provision, while another 2 in 5 say they have not yet begun to assess it.[59]
- **Emergency savings:** The law allows employers to create an emergency savings account linked to a DC plan so employees can begin to save for short-term needs in addition to retirement. However, the provision may increase administrative complexity, sets a $2,500 threshold on emergency savings, and restricts eligibility to non-highly compensated employees. While many employers are expressing interest in workplace emergency savings programs, Fidelity believes a benefit that is outside of the retirement plan is the best approach under current rules.

As employers continue to implement elements of SECURE 2.0, a bipartisan group of lawmakers is already considering additional reforms to further improve the private retirement system. Though more legislation is likely years away, retirement security remains one of Washington's few bipartisan policy areas.

Tax reform

The 2017 Tax Cuts and Jobs Act (TCJA) introduced sweeping changes to the tax code that impacted employers and employees alike. Certain deductions, exemptions, and other tax rates impacting individuals are set to expire at the end of 2025, and the ambiguity surrounding the future of those rates could impact employees' wallets, change the tax-advantaged nature of several benefit programs, and potentially exacerbate tensions between employers and employees. HR leaders and workers should prepare for a variety of potential changes to the tax code.

The $4.6 trillion price tag of extending the expiring TCJA provisions will raise concerns about adding to the federal deficit.[60] Lawmakers may look to find mechanisms to offset the costs of the legislation, potentially by reducing existing tax incentives. While Congress has numerous options at its disposal, retirement savings tax expenditures could become a lucrative target. Specifically, lawmakers may consider options like setting limits on "mega" individual retirement accounts or prohibiting so-called backdoor Roth conversions. A more sweeping strategy may be to modify the corporate tax rate, as Congress has done in the past.

Health care costs and coverage

Inflation and the lingering impact on health care from the pandemic years are contributing to growing costs within employer-sponsored health plans. However, other factors are also driving up costs throughout the system, creating higher expenses for both employers and employees.

As health care costs continue to rise, HR leaders are focused on managing expenses while delivering access to the care employees need. While health care remains a largely partisan issue, policymakers from both sides of the aisle may be able to find common ground in areas like increasing competition among providers, improving price transparency, expanding access to telehealth and mental health care, and reducing prescription drug costs.

The latter has become a key priority for employers that have witnessed ballooning prescription drug costs in recent years, in part due to the rapid growth of GLP-1 drugs, which entered the US market at higher prices and have become popular for weight loss. In an effort to reduce drug costs across the board, some lawmakers are taking on pharmacy benefit managers (PBMs). These lawmakers argue that rebates to PBMs (and other intermediaries) from drug manufacturers may be contributing to higher costs for employers, consumers, and the government. In 2025, we could see bipartisan support for containing drug costs through stricter regulation of PBM practices.

Considerations for decision-makers

Legislative and regulatory activity may continue to impact employer priorities like managing costs and compliance. With highly regulated benefits as the cornerstone of benefits packages (e.g., health plans, ERISA retirement plans, health and welfare plans), HR leaders should consider these and other policy issues when making decisions about the future of their benefits and broader total rewards strategies.

- **Employers should consider implementing optional provisions from SECURE 2.0 that provide additional value to workplace retirement plans** based on the goals of the plan and the needs of their workforce. For example, employers with an aging workforce may benefit from implementing higher catch-up contributions so that their pre-retiree employees can save more in the years before they retire. On the other hand, employers with a highly educated workforce may value integrating a retirement match based on student loan repayments.
- **Any changes to the US federal tax system may directly or indirectly impact employers, employees, and the tax status of certain benefits.**
- With respect to health care, **employers should consider strategies that focus on managing rising costs, increasing employee access to care, and improving the underlying health of the workforce.**

Conclusion

Key takeaways and considerations for employers

- Despite the pendulum of power shifting back toward employers, organizations are still facing numerous strains, including increasing costs and continued requests for more help from employees.
- Optimizing total rewards packages can strike the balance between cost and keeping employees happy. Ultimately, it's about designing rewards that enhance your employees' wellness and worth, while preserving your bottom line. For employers focused on value, consider the must-have and game-changing benefits that will resonate most with your unique workforce.
- You may evaluate the quality of retirement plan design to better meet the needs of all employees. Although balances, contributions, and enrollment are steadily increasing across the workforce, certain pockets of communities may need more support to prepare for their long-term financial future. Employers should assess plan engagement and look toward implementing automatic features like automatic enrollment and re-enrollment, automatic annual increase programs, as well as setting default deferral rates that ensure match dollars are not left behind.
- Legislative and regulatory activity can impact how leaders evaluate benefits like retirement plans, health plans, and more. With incremental changes from SECURE 2.0, as well as potential tax and health policy changes on the horizon, leaders should consider how policy shifts may impact their benefits programs.

Our unique view of the workplace is your advantage

Fidelity's unique vantage point not only supports our work—it can help your organization make more informed and data-driven decisions. You can rely on Fidelity's expertise to guide you in developing strategies and programs designed to achieve better outcomes.

Changes will continue to be thrust upon us, fueled by larger societal, economic, and political factors. While the observations in this report are a snapshot in time, we will issue these reports periodically so you can stay abreast of trends and thoughtfully evaluate the impact on your organization.

To learn more about our workplace insights and how we can support your company's efforts, talk to your Fidelity representative or visit FidelityWorkplace.com.

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42 This estimate is based on a single person retiring in 2024, 65-years-old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates projected with Mortality Improvements Scale MP-2021 as of 2022. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Cost Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, original Medicare. This calculation takes into account Medicare Part B base premiums and cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by original Medicare. This estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.

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44 A distribution from a Roth 401(k), Roth 403 (b) and Roth 457 (b) is federally tax free and penalty free, provided the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death.

45 Fidelity's Employee Value of Benefits survey of 5,009 full-time employees with access to workplace benefits, August 2024.

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52 "Health savings account insight: Helping employees embrace the multitool for health expenses," Fidelity Health Thought Leadership, 2024.

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Fidelity Brokerage Services LLC, Member NYSE, SIPC 900 Salem Street,
Smithfield, RI 02917

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