



# Principal Financial Well-Being Index<sup>SM</sup>

*2023 Wave 2*

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| <b>TREND 1</b> | Businesses continue to grow but are less optimistic about the economy. |
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| <b>TREND 2</b> | Inflation remains a top concern for employers and employees. |
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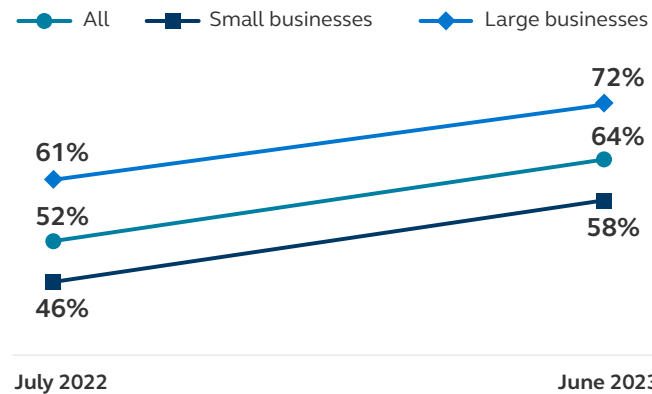
## TREND 1

Businesses continue to grow but are less optimistic about the economy.

## Financial health

June 2023 tracking of business financial metrics reveals record highs.

### Businesses reporting year over year growth

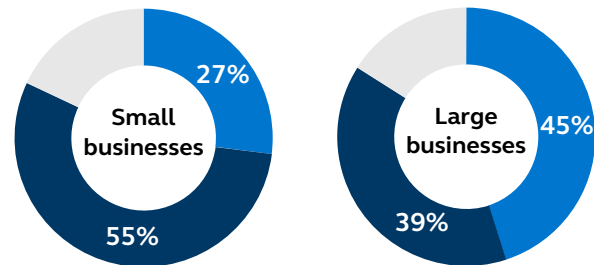


## Cash flow

When asked, 82% of all businesses are comfortable with their current cash flow.

### Businesses comfortable with cash flow

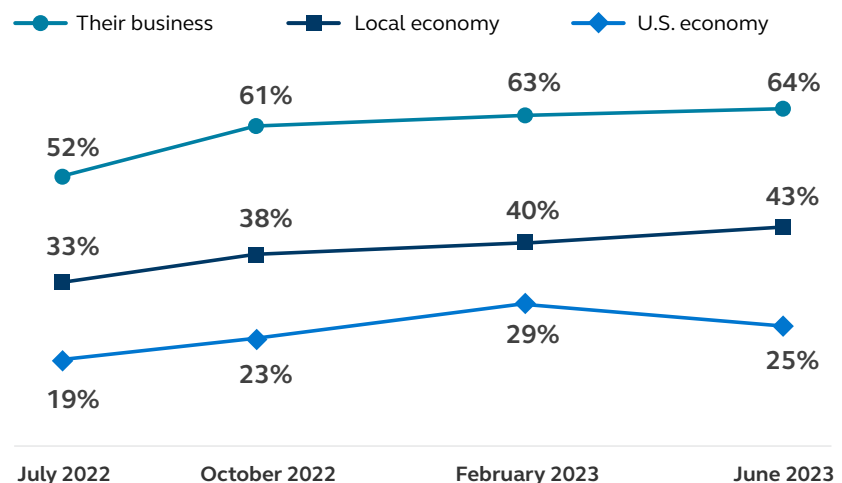
Very comfortable    Somewhat comfortable



## Business vs. economic growth

While 64% of respondents say their business is growing, they're less optimistic about the overall growth of the U.S. economy.

### Businesses perceiving growth



## Business outlook

More than three in four businesses expect their business financials to improve within the next year.

### Businesses expecting financial improvement

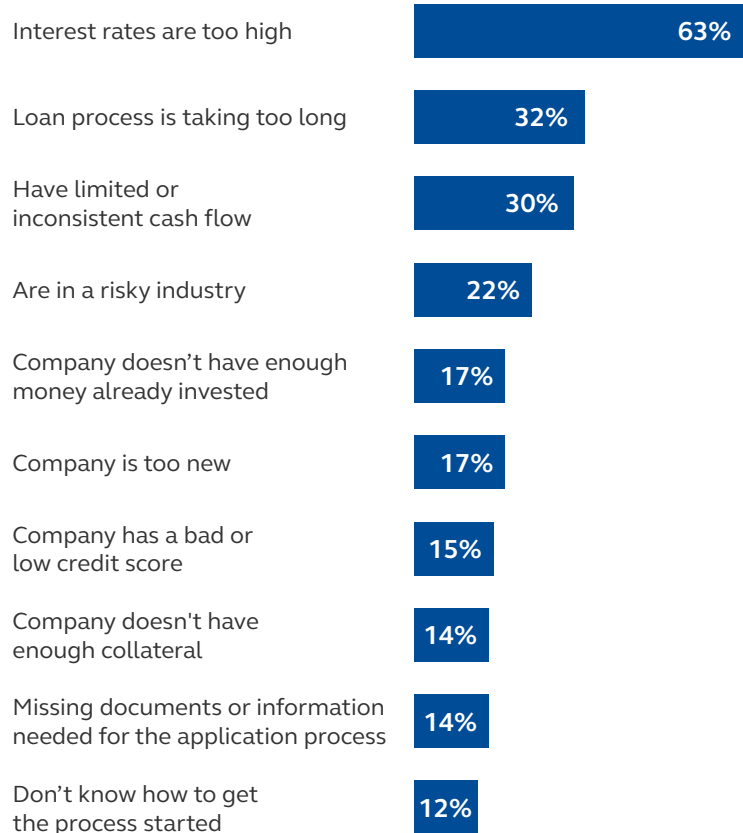


## Barriers for loans

Following high-profile banking sector failures, businesses are experiencing barriers to accessing lines of credit.

### Biggest barriers for getting loans and accessing capital

Of those who say accessing credit and loans is a “major” or “significant” concern.



TREND 2

Inflation remains a top concern for employers and employees.




Top concerns

Rising costs and macroeconomic challenges are key concerns for employers and employees.

Top business concerns	Top employee concerns
1. Economic inflation	1. Economic inflation
2. Stability of the U.S. economy	2. Stability of the U.S. economy
3. Higher taxes	3. Cost of health care
4. Cost of health care	4. Potential upcoming recession
5. Potential upcoming recession	5. Stability of the global financial system

Employer stress



Overall business owner/partner stress decreased year over year. But women report much higher levels of stress than men.

Employer stress year over year	 Less stressed	 No change	 More stressed
June 2023	20%	31%	49%
July 2022	15%	24%	61%



Employee financial stress

Over half of employees are increasingly stressed about money. Women in particular report much higher levels of financial stress.

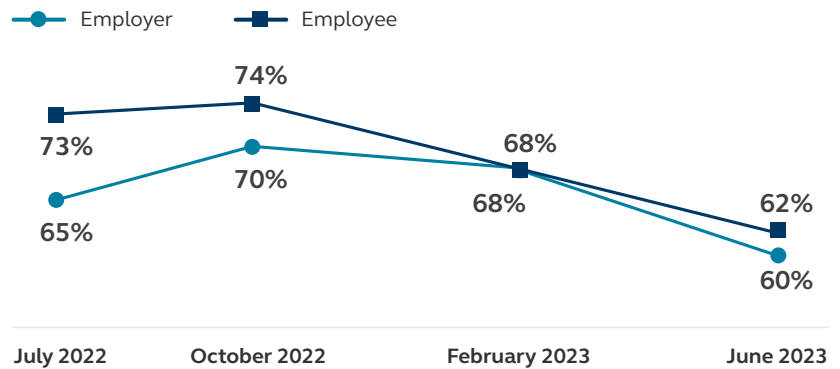
Employee financial stress compared to this time last year	 Less stressed	 No change	 More stressed
June 2023	22%	22%	56%



## Recession concerns



While most employers and employees still think a recession is likely to happen within the next six months, employee concerns have leveled off to match employer predictions.

### Share expecting a recession



## Employer vs. employee outlook

Employers believe many of today's challenges will get easier within the next six months. Employees are less optimistic.

Employer prediction		
	Will get better	Will get worse
Attracting new employees	49%	12%
Retaining employees	40%	9%
Primary bank stability	40%	7%
Getting access to capital	38%	19%
Loan requirements	38%	22%
Employee prediction		
Loan requirements	23%	33%
Unemployment rates	22%	39%
Stability of banking industry	22%	33%
Inflation	22%	53%
Interest rates	21%	50%

### TREND 3

There's a disparity in financial health and well-being between employers and their employees.

## Employer financial health and well-being

Employers are in growth mode.

**Over the past 12 months, how often has your business been able to pay bills, debts, and other financial obligations on time?**

Always	Often	Sometimes	Rarely	Never
56%	32%	9%	2%	1%

Always paying bills on time is much more likely for businesses that have existed more than 10 years.

**Over the past 12 months, how often has your business run out of cash before being able to cover business expenses?**

Always	Often	Sometimes	Rarely	Never
10%	16%	12%	19%	43%

Never running out of cash is more likely for very new businesses and businesses that have existed more than 10 years. More than a third of large businesses often or always run out of cash before being able to cover business expenses.

**How often are you satisfied with your business's financial situation?**

Always	Often	Sometimes	Rarely	Never
23%	47%	25%	4%	1%

Large businesses are much more likely to be regularly satisfied with their financial situation. Businesses that have existed less than six years and smaller businesses are more likely to be regularly dissatisfied.

## Employee financial health and well-being

Employees show less financial stability than their employers. Women in particular tend to lack confidence in their financial health and well-being.

**Over the past 12 months, how often have you paid your bills, debts, and other financial obligations on time?**

Always	Often	Sometimes	Rarely	Never
57%	28%	12%	3%	0%

Men and Boomers have the highest rates of on-time payment.

**Over the past 12 months, how often have you run out of income before being able to cover living expenses?**

Always	Often	Sometimes	Rarely	Never
10%	18%	17%	26%	29%

Millennials and people with kids in the household are most likely to run out of money.

**How often are you satisfied with your financial situation?**

Always	Often	Sometimes	Rarely	Never
12%	22%	34%	24%	8%

Men are almost twice as likely as women to "always" or "often" agree with this statement.

## Employer emergency cash and borrowing

In the event of an emergency, many businesses would be able to rely on their cash on hand.

<b>If your business needed cash equivalent to 5% of the business's total value within 30 days:</b>	<b>What would be the main source of money?</b>	<b>Who would consider this "not difficult"?</b>
Business checking or savings account	35%	61%
Business income/inward cash flow	20%	50%
Borrowing from a bank	20%	27%
Private lender (non-banking)	7%	26%
My personal money (if owner/partner)	7%	29%
Selling business assets	5%	42%
Family or friends	3%	18%

## Employee emergency cash and borrowing

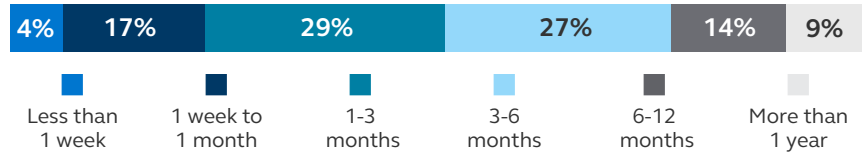
In the event of an emergency, most employees would be able to cover an unexpected expense relatively easily.

<b>If you needed \$1,000 emergency cash within 30 days:</b>	<b>What would be the main source of money?</b>	<b>Who would consider this "not difficult"?</b>
Checking or savings account	59%	69%
Family or friends	12%	13%
Extra job/gig	8%	14%
Borrow from bank	4%	40%
Paycheck advance	3%	29%
Sell something	3%	14%
Private lender	2%	0%

## Employer income loss

The longer a business has existed, the longer they estimate they could operate without borrowing (regardless of size).

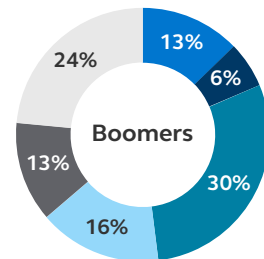
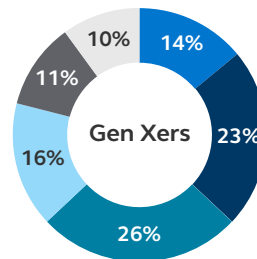
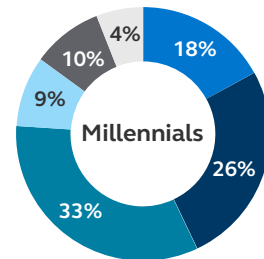
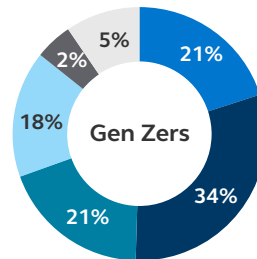
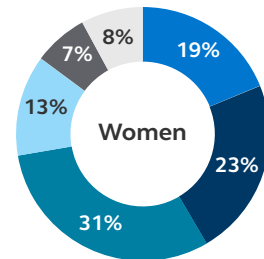
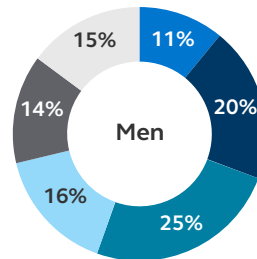
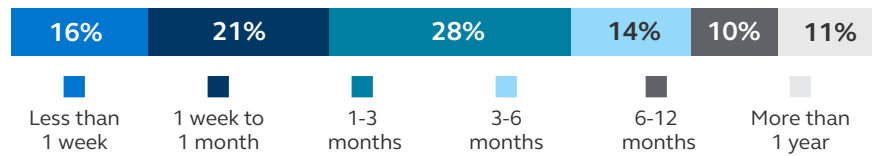
**If your business lost its main source of income, how long would you be able to cover operating expenses without borrowing money?**



## Employee income loss

In the event that an individual lost their main source of income, nearly two thirds wouldn't be able to cover expenses for more than three months.

**If you lost your main source of income, how long would you be able to cover living expenses without borrowing money?**



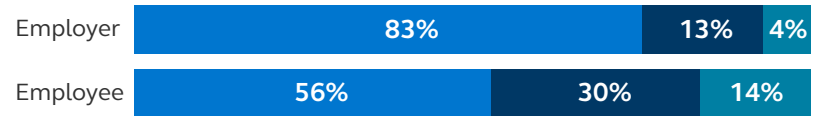


## Financial goals

Most employers and employees feel at least somewhat confident in setting and reaching financial goals.

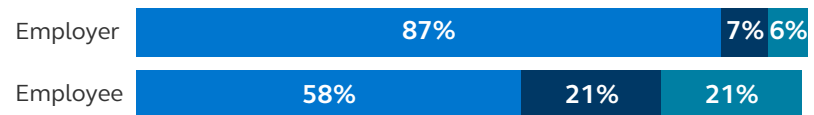
### Do you set long-term financial goals and strive to achieve them?

■ Yes ■ Somewhat ■ No



### How confident are you that you've done a good job making long-term financial plans?

■ Confident ■ Neither ■ Not confident



#### TREND 4

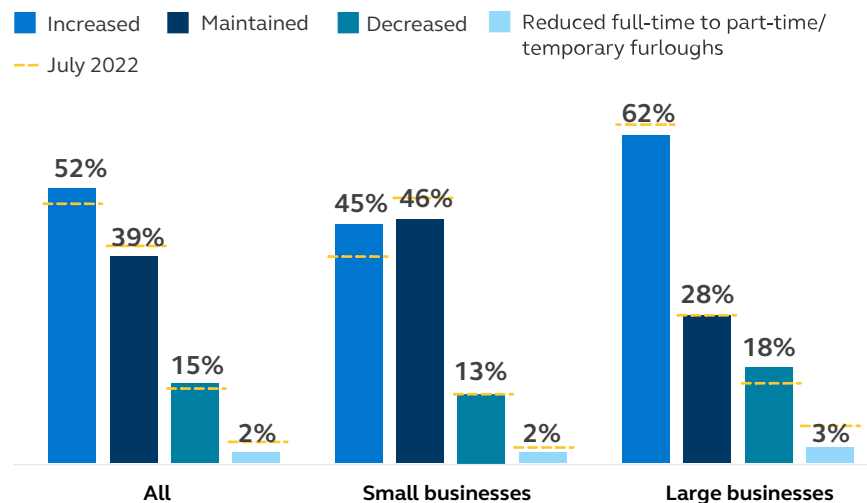
Small businesses continue to add staff.

### Staffing changes

Over the past three months, small businesses have focused on adding and maintaining staffing levels.

#### Staff size shifts in the past three months

(option to select all that apply)



### Reasons for decreasing staff

Fifteen percent of businesses decreased staff over the past three months, most often citing employees changing career paths.

#### Reasons staffing changed

Changing career paths	32%
Employees not performing	27%
Retirement	27%
Employee left for a position with greater remote work flexibility	24%
Geographic relocation	19%

## TREND 5

Employee benefits and wages trend upward.

### *Employee benefits*

With a continued focus on attracting and retaining talent, employers plan to increase employee benefits.

#### **Top benefits employers expect to increase**

1. Training and educational opportunities	43%
2. Mental health/well-being programs	40%
3. Flexible schedules/time	40%
4. Health care benefits	39%
5. Retirement benefits	36%

#### **Top benefits businesses plan to increase in response to employee needs**

<b>To attract new employees:</b>	<ol style="list-style-type: none"><li>1. Flexible schedules/time</li><li>2. Option to work remotely</li><li>3. Four-day workweeks</li></ol>
<b>To retain current employees:</b>	<ol style="list-style-type: none"><li>1. Employer retirement plan contribution matches</li><li>2. Retirement benefits</li><li>3. Paid sabbaticals</li></ol>
<b>As an ethical responsibility of the company:</b>	<ol style="list-style-type: none"><li>1. Disability insurance (short or long term)</li><li>2. Critical illness or accident insurance</li><li>3. Childcare support</li></ol>
<b>To improve employee experience:</b>	<ol style="list-style-type: none"><li>1. Financial wellness programs</li><li>2. Employee assistance programs</li><li>3. Training and educational opportunities</li></ol>
<b>To help employees during tough economic times:</b>	<ol style="list-style-type: none"><li>1. Caregiving benefits</li><li>2. Employee student debt payoff assistance</li><li>3. Employer retirement plan contribution matches</li></ol>

## Business financials and benefit increases

The more optimistic a business is about the next 12 months, the more likely they are to add certain benefits.

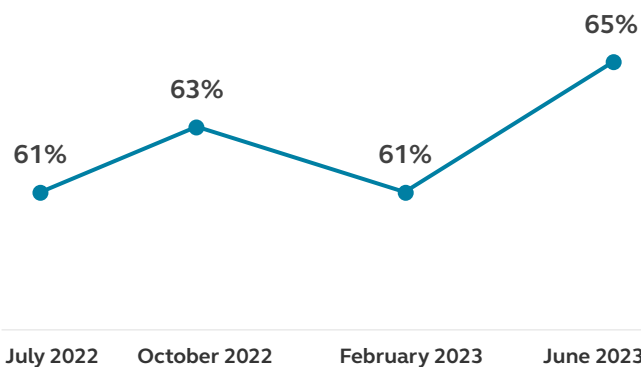
### Benefits associated with increased business optimism

- ✓ Critical illness or accident insurance
- ✓ Childcare support
- ✓ Financial wellness programs
- ✓ Employee Assistance Programs (EAPs)
- ✓ Paid family or medical leave
- ✓ Long-term care insurance
- ✓ Caregiving benefits
- ✓ Employee student debt payoff assistance
- ✓ Emergency savings program
- ✓ Four-day workweeks
- ✓ Flexible schedules/time
- ✓ Option to work remotely
- ✓ Employer retirement plan contribution matches

## Employee wage increases

While automatic and inflation-based raises were common at the height of the competition for labor, performance-based pay increases are once again taking over.

### In the past year, have you received a raise in wages?



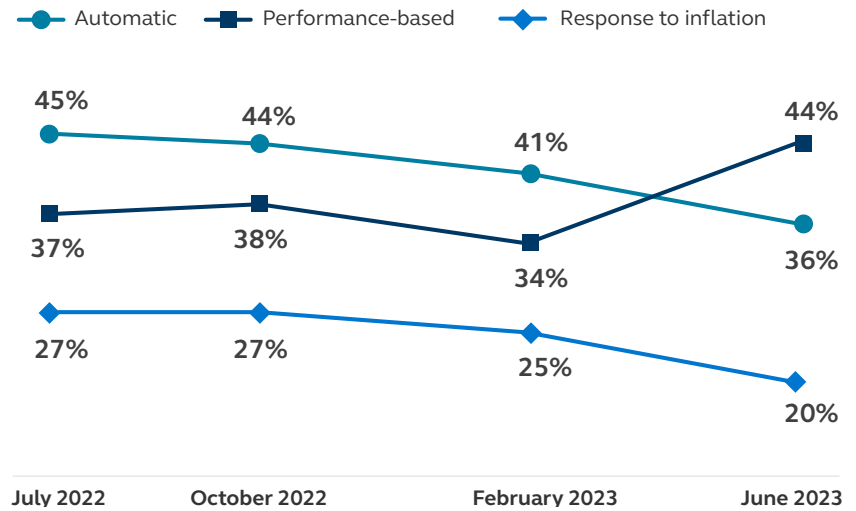
### Reasons for wage increases in June 2023

(option to select all that apply)

I received an increase based on successful performance	44%
All employees at my employer regularly receive automatic wage increases	36%
Our company raised wages in response to rising costs of living/inflation	20%
I advanced in position/received a promotion that came with higher wages	22%
I requested a raise and it was approved	11%

### Reasons for wage increases over time

(option to select all that apply)



Some responses include multiple selections and/or 'n/a' options and will not add to 100%.

**Small businesses** = 2–499 employees. **Large businesses** = 500–10,000 employees. The Principal Financial Well-Being Index<sup>SM</sup> (June 5–12, 2023) surveyed 500 business owners, decision makers, and leaders at companies with 2–10,000 employees and 200 full-time employees. Businesses must offer at least health insurance or retirement benefits.

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