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Surging Credit Card Debt: Strategies for Plan Sponsors to Help Bolster Retirement Readiness

Retirement plan sponsors face a pivotal moment after U.S. credit card debt recently soared to a record high of \$1.08 trillion. This staggering amount, a \$48 billion escalation since the second quarter and a \$154 billion increase year-over-year is a cautionary signal for Americans' financial stability. The compounding pressures of post-



pandemic recovery and inflation have pushed household debt to unprecedented levels. This has particularly affected minority groups and those with limited financial literacy. With hardship withdrawals from retirement accounts also rising, the role of plan sponsors has never been more essential.

According to a 2022 Financial Health Network report, nearly two-thirds of full-time workers employed at large to midsize companies have at least one of three types of unsecured debt: credit card, medical or personal loans. Additionally, half of employees with debt stress spent an average of one hour of work time per week dealing with debt-related issues. Moreover, 62% indicated they would be more likely to remain employed at a company that offered helpful debt-related benefits.

Traditionally, employers have focused on helping employees save for retirement, but the landscape is changing. The role of plan sponsors is evolving as they now recognize the need to address more immediate financial concerns that can seriously undermine long-term savings. There is a growing recognition that providing support for non-retirement priorities, such as debt management and emergency savings, is crucial for the overall financial health of employees. Support in these areas can offer significant benefits for organizations, including increased productivity, lower healthcare costs, enhanced employee engagement, and decreased turnover.

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Employers are adopting a more holistic approach to financial wellness in order to adapt to the shifting terrain. By offering resources and support that address present and long-term financial needs, they're helping employees build a more secure foundation for their future. Here are a number of ways employers can help support workers' financial well-being in the face of historic levels of personal debt:

- Offer educational workshops on debt management.
- Furnish content in formats that are highly accessible, including videos, audio recordings, and infographics.
- Give employees access to one-on-one financial advising.
- Support emergency funds or student loan repayment plans.
- Promote HSAs to avoid medical debt.
- Provide online tools such as debt-payoff calculators.
- Encourage auto-escalation of retirement plan contributions to offset debt impacts.

Employees with higher levels of total debt and lower incomes are less likely to have access to debt-related benefits that could potentially assist them. Employers can play a crucial role in leveling the financial playing field. They can provide equitable access to resources that support debt management and financial stability for all employees, regardless of income level or background. By addressing these disparities, companies can foster a more equitable workplace and financially resilient workforce.

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