

# Global Financial Wellness Survey

What it means to be financially fit

A comprehensive measurement framework



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# Focus on Financial Wellness

Financial Wellness is becoming an increasing focus around the globe. As much of the world faces an uncertain economic outlook due to a global pandemic and volatile markets, many workers are finding themselves dealing with financial challenges. Some face student loan or consumer debt, some find themselves looking after the financial needs for the younger and/or older generations of their family and others are preparing for a reduction in income and more difficult times ahead. At the same time, saving for both immediate and long-term financial goals, including retirement, remains a priority for many.

As workers face challenges in this uncertain environment, employers are stepping up to offer various benefits programmes that focus on improving the financial wellbeing of their employees. These programmes range from more traditional retirement plans to student debt relief, insurance and estate planning support. While this report does not serve to validate the outcomes of offering a financial wellness programme to employees, there is some evidence that there is a link between financial wellness and job satisfaction, as well as worker productivity and engagement.

A relatively new concept in many regions, this report addresses what financial wellness is and how it can be measured. In addition to outlining Fidelity's innovative measurement approach, which focuses on both objective and subjective measures, the report also explores qualitative responses to the Fidelity Global Financial Wellness Survey that provide additional insights and broad context for the analysis of financial wellness.

While it is difficult to predict the stability and variability of people's financial attitudes and behaviours in a pandemic, the Fidelity Financial Wellness Score establishes a metric and a baseline against which we will be able to observe, and report on, changes in behaviours and attitudes over time. The development of Fidelity's online financial wellness tools and experiences in the United States, United Kingdom and Hong Kong\* also enable us to observe trends in real time and to continually expand our financial wellness research.





First developed in the United States in 2016 our financial wellness research, and partnerships with plan sponsors and participants, have helped to evaluate individual financial wellness and offer actionable next steps. Expanding beyond the United States, the global research was collected through the Fidelity Global Financial Wellness Survey, a comprehensive online and in-person survey of nearly 17,000 households in the United Kingdom, Germany, China, Hong Kong, Japan, and Canada. The survey was limited to respondent households (either single person or two person) with at least one working household member, so respondents are categorised as 'workers' throughout the report. The survey was conducted between March 2020 and May 2020, a time when many people began to pay more attention to their financial health.

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\*The Hong Kong Special Administrative Region (HKSAR), as part of China, is referred to as Hong Kong in this report.

# Defining Financial Wellness

We believe financial wellness is holistic and multi-layered with objective and subjective inputs across four key domains: Budgeting, Debt, Savings and Protection.

	<p><b>Budgeting</b></p> <p>Spending within one's means is the foundation upon which financial wellness is built. Maintaining a budget and a positive cash flow are necessary (though not sufficient) precursors to managing debt, saving for the future, investing and protecting against risk.</p>
	<p><b>Debt</b></p> <p>High levels of debt, and monthly debt repayment obligations, relative to income can present a considerable barrier to savings. All else equal, higher interest borrowing is of greatest concern. Prudent use of credit may be a good way to build a positive credit profile and thereby improve access to credit and potentially lower future borrowing rates.</p>
	<p><b>Savings</b></p> <p>To achieve financial wellness beyond the here-and-now, individuals must take control of their debt and save and invest for the future. This includes long-term savings and investing (saving for retirement, for example) but also saving for short-term goals such as home repairs or holidays.</p>
	<p><b>Protection</b></p> <p>Financial wellness requires not only managing, accumulating, and investing money appropriately but also insuring against potential losses, be that a temporary or permanent financial loss or a loss of financial control. Without adequate emergency savings and/or financial protection against catastrophic health events, disability or property loss, one's financial situation can very quickly move from comfortable to distressed.</p>

Source: Fidelity

## Introduction to the Fidelity Financial Wellness Score

It is increasingly clear that, globally, financial wellness is a large-scale challenge in need of large-scale solutions. Developing and testing the effectiveness of solutions requires an empirically sound and operational approach to measuring financial wellness.

We believe a financial wellness metric should have the following characteristics to achieve maximum impact:

**Quantitative and clear** - improving wellness at a large scale requires a methodology that establishes baseline levels and tracks the degree and nature of changes over time.

**Multidimensional yet specific** - financial wellness is a multifaceted concept that requires a multifaceted measurement. Understanding individuals' overall level of wellness (or distress) is key to identifying those in need of assistance. Understanding the specific domains in which they are struggling is key to providing the right type of assistance. Comprehensive assessments of wellness are also critical because interventions might improve some areas of wellness but not others.

**Clear and actionable** - financial wellness metrics must be easily understood and yield insights for employers about who needs what type of help, as well as clear feedback and actionable steps for employees on the aspects of their financial lives where they should focus.

Fidelity has developed the Fidelity Financial Wellness Score which uses a consistent analytical framework across the regions while using modelling assumptions that are appropriate for each region. The Score is based on both objective and subjective components for the four domains of financial wellness - Budgeting, Debt, Savings and Protection.

The comprehensive framework and algorithmic approach to evaluating financial wellness was first developed in the United States. It has been informed by a large-scale survey of American households and refined over time based on the responses of thousands of users who have completed the online financial wellness scoring experience over several years. The Fidelity Financial Wellness Survey has now been completed in another six regions - the United Kingdom, Germany, China, Hong Kong, Japan, and Canada.

# Objective and Subjective Measures

We believe financial wellness is holistic and multi-layered with objective and subjective inputs. The objective side is driven by consideration of elements of an individual's total financial situation. The subjective side is assessed based on how the person feels about their financial situation.

Wellness is not merely a function of long-term financial behaviours such as retirement readiness, nor is it simply a matter of how well people cope with day-to-day budgeting. All time horizons play a role but identifying and helping to address short-term needs and concerns are often necessary before longer-term issues can be effectively addressed. We have found that short term issues, both objective and subjective, can often serve as blockers to addressing longer-term issues. It is critical to engage an individual on the financial topics that are of greatest concern before effectively engaging to address other, longer-term, topics.

**The Objective Measures** - As assessment of financial conditions and behaviours across the four domains of financial wellness - Budgeting, Debt, Savings and Protection - applying relevant benchmarks, where appropriate.

**The Subjective Measures** - A comprehensive assessment of emotions, confidence and perceptions were factored into the measurement of subjective wellness. To gauge emotions we asked participants to rate how they felt overall as well as in each of the four domains on a scale from 'terrible' to 'fantastic'. These factors are crucial to determining how people view and understand their financial situations and helps to identify individuals with inaccurate self-perceptions. This is particularly important for people who subjectively rate themselves as financially well but whose objective assessment suggests otherwise and need a 'wake-up call.'

## Objective and subjective measures

Financial Domain	Objective Measures	Subjective Measures
<b>Budgeting</b>	Budget-to-income ratio On time payments General assessment of budget health	Budget sentiment Budget confidence
<b>Debt</b>	Debt-to-income ratio Number and compositions of debts Credit utilisation measures	Debt sentiment Debt confidence
<b>Savings</b>	Evaluation of retirement readiness 'On track' assessment of non-retirement goals 'On track' assessment of retirement goals	Savings sentiment Savings confidence
<b>Protection</b>	Emergency fund (number of months of expenses covered) Number and forms of insurance/protection Future planning horizon	Protection sentiment Protection confidence

Source: Fidelity

# The Financial Wellness Score

The Fidelity Financial Wellness Score contains both objective and subjective components for all four domains.

## The Fidelity Financial Wellness Score

	Objective		Subjective		Totals
<b>Budgeting</b>	<b>17.5%</b>	+	<b>7.5%</b>	=	<b>25%</b>
<b>Debt</b>	<b>17.5%</b>	+	<b>7.5%</b>	=	<b>25%</b>
<b>Savings</b>	<b>17.5%</b>	+	<b>7.5%</b>	=	<b>25%</b>
<b>Protection</b>	<b>17.5%</b>	+	<b>7.5%</b>	=	<b>25%</b>
<b>Financial Wellness Score</b>	<b>70%</b>	+	<b>30%</b>	=	<b>100%</b>

Source: Fidelity

Each domain contributes a maximum of 25 points to the overall maximum score of 100. The values in the table above represent the contribution of the maximum scores to the total scores. This scoring approach affords greater flexibility in breaking down the Fidelity Financial Wellness Score in ways that provide deep insights into personal financial well-being. For instance, not only can the total score be broken down to four sub-scores of each domain, it can also be broken down to two sub-scores of objective and subjective components.

The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness.

The total score is categorised into one of four discrete levels of financial wellness:

- **Excellent (80-100)**
- **Good (60-79)**
- **Fair (40-59)**
- **Needs Attention (0-39)**

Domain scores are categorised as follows and each has a maximum score of 25:

- **Excellent (20-25)**
- **Good (15-19)**
- **Fair (10-14)**
- **Needs Attention (0-9)**

# Helping workers with Financial Wellness

Financial wellness is not just about the objective monetary picture, it is also a function of the subjective picture with respect to how people feel about their finances. Are they satisfied and confident or frustrated and worried? The combination of objective and subjective assessments across multiple domains is critical because an individual's financial situation and sentiment may differ completely. Doing well financially - for example, maintaining a budget, saving enough for retirement, investing appropriately - is no guarantee of feeling good about one's finances, nor is feeling good a guarantee of financial success.

Understanding the subjective and objective side of financial wellness is key to communicating effectively with employees about their finances. Employees who are at-risk but unaware may need a 'wake-up call'. While others, who are financially secure but worried, may benefit from confidence-boosting assurance that they're on the right track. Negative attitudes can be paralyzing, making it difficult to take constructive steps to improve one's financial wellness. If that cycle can be broken by appropriate interventions, and small actionable steps can be suggested and completed, it can set off a virtuous cycle of enhanced confidence and healthy financial behaviours.

In the chart below we examine employee support needs based on objective versus subjective financial wellness:

- **High Objective/High Subjective** - The ideal state where the respondent's financial wellness is objectively good, and they also feel good about their position.
- **High Objective/Low Subjective** - A 'reality check' opportunity where the respondent needs a confidence boost.
- **Low Objective/High Subjective** - Also a 'reality check' opportunity where the respondent needs a wakeup call.
- **Low Objective/Low Subjective** - Respondents in this category need comprehensive support.

Employers can play a key role in helping employees improve their financial wellness by offering education and reference points, such as the Fidelity Financial Wellness Score. The score and insights highlight key areas for people to consider in their financial and retirement planning processes.

## Employee support needs based on objective vs subjective financial wellness

	High Objective Wellness	Low Objective Wellness
High Subjective Wellness	GOAL	WAKE-UP CALL
Low Subjective Wellness	CONFIDENCE BOOST	COMPREHENSIVE SUPPORT







Source: Fidelity



# Global Financial Wellness Scores

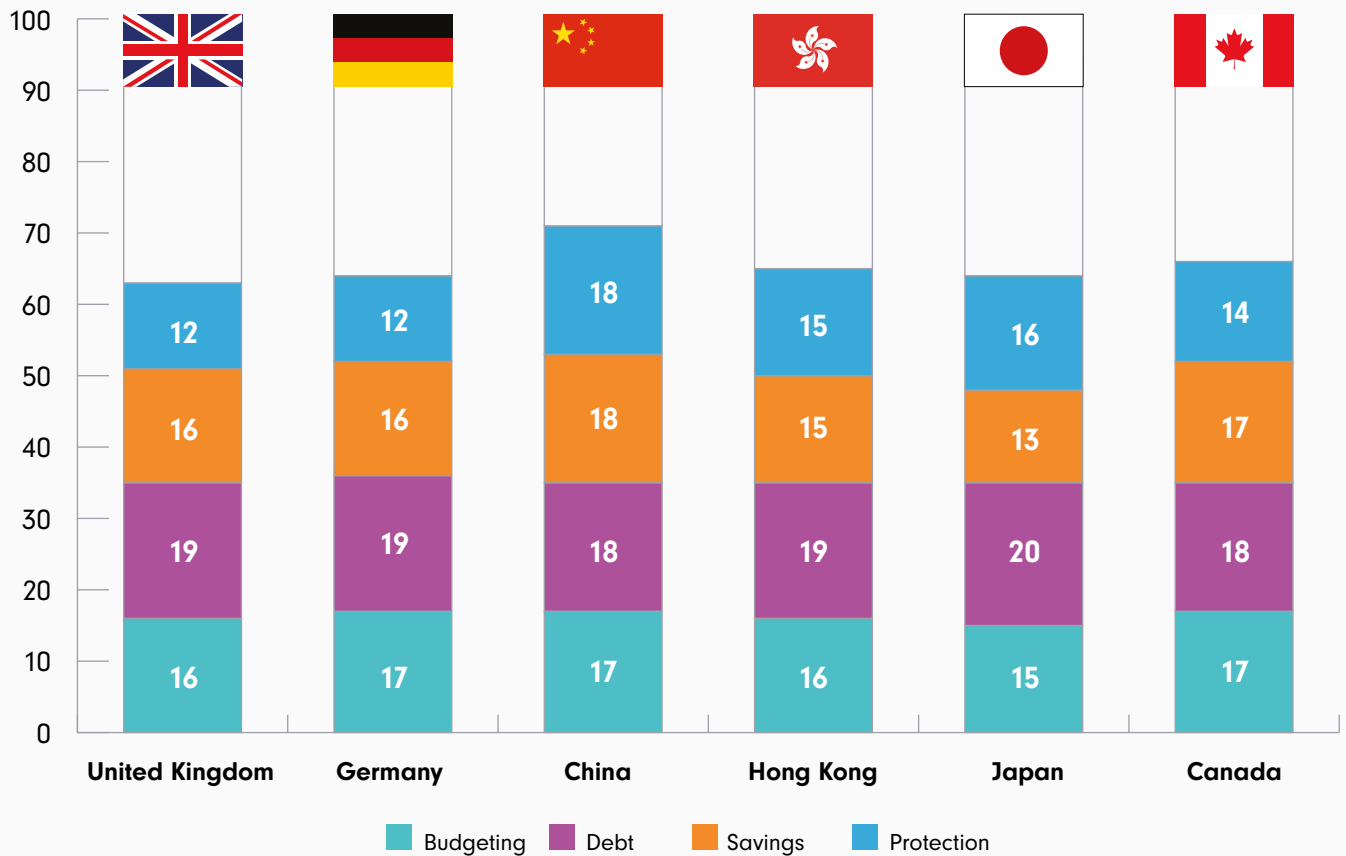
Across the regions, the median Financial Wellness Scores fell mostly in the 'Good' range with China at the top end with a median score of 71 and the United Kingdom at the lower end, returning a median score of 63 which places the region at the lower end of the 'Good' category. It is worth noting, that while the median scores are classified as 'Good' across the regions, the range within the 'Good' category is reasonably wide (from 60-79). So, even those that may score at the top of this range still have significant opportunities for improvement.

**Median Global Financial Wellness Scores by scoring category %**

	 United Kingdom	 Germany	 China	 Hong Kong	 Japan	 Canada
<b>Median Score</b>	63	64	71	65	64	66
<b>Needs Attention (0-39)</b>	5%	2%	1%	4%	3%	3%
<b>Fair (40-59)</b>	35%	34%	11%	31%	35%	29%
<b>Good (60-79)</b>	55%	57%	79%	62%	57%	57%
<b>Excellent (80-100)</b>	5%	7%	9%	3%	5%	11%

Source: Fidelity Global Financial Wellness Survey, 2020. All Financial Wellness Scores are median scores. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

## Median Global Financial Wellness Scores by domain %



Source: Fidelity Global Financial Wellness Survey, 2020. All Financial Wellness Scores are median scores. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

Looking beneath the overall median score at the scores for each domain there were also many consistencies across the regions.

### Strongest scoring domain - Debt

Debt was the strongest scoring category across all six regions with median scores ranging from 18 to 20 (the maximum possible individual domain score is 25). Debt domain scores are comparable for all regions, with Japan scoring a little higher reflecting a slightly stronger assessment of credit health. Across all regions, both respondent attitudes about their debt situation and objective assessment of credit health were consistently positive.

### Lowest scoring domain - Protection

Protection tended to be the lowest scoring domain ranging from 12 to 18, with a lower median score in the United Kingdom, Germany and Canada and a higher median score in China, Japan and Hong Kong. Respondents in China, Japan and Hong Kong report the longest planning horizon. Those in China and Hong Kong reported thinking a few years ahead when it comes

to their financial needs, while respondents in Japan think further ahead, typically for the next five to ten years. In contrast, respondents in United Kingdom, Germany and Canada reported planning horizons that range between the next few weeks to next few months on average. Respondents in China, Hong Kong and Japan also reported having more than six months of emergency funds, which is higher than the respondents in the United Kingdom, Germany and Canada.

There are several factors that can contribute to higher or lower financial wellness scores. This includes cultural differences across and within regions whereby financial well-being is defined or prioritised differently, a lack of education about how to achieve financial well-being or a lack of confidence.

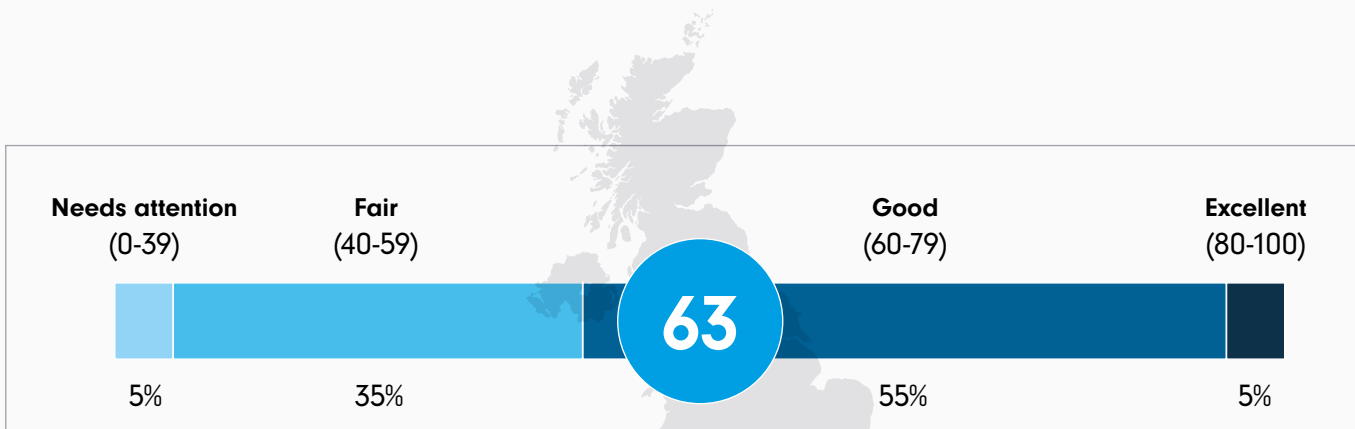
We start to see significant differences, and significant opportunities for improvement, when we review the regional scores by different subgroups across the different domains in the regional overview sections of the report.

# Regional Overviews

## United Kingdom

Fidelity's analysis of financial wellness data for the United Kingdom resulted in a calculated median Financial Wellness Score of 63.

When looking at the total median score distribution most respondents were in the 'Good' (55%) or 'Fair' (35%) categories. Only 5% were in the 'Excellent' category and 5% were in the 'Needs Attention' category. Overall, this places the median score of 63 for the UK at the lower end of the 'Good' category range and indicates that there are opportunities for improvement.



Source: Fidelity Global Financial Wellness Survey, 2020. The Financial Wellness Score is median. The percentages represent the % of survey respondents in each scoring category. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

UK Scores varied slightly by age. The older generation appears to be in the strongest position. This group had the highest score of 67 and scored highest in Debt and Protection and joint highest in the Budgeting domain. The older generation had the highest average emergency fund, between five to six months.

They were followed by the younger generation who had a score of 64 and were highest in the Savings domain and scored well in Debt and Budgeting. The younger generation was assessed to be the best prepared for retirement, based on savings rates and current asset balances. The retirement assessment also considers state pension benefit and (self-reported) access to an employer-funded defined benefit pension.

It is the middle-aged workers in the UK who returned the lowest score of 61, and also had lower scores in Protection, Savings and Budgeting. The median Protection score for this group was low partly due to the lowest confidence among all age groups and lower reported number of forms of financial protection than older workers. The middle generation scored low in Savings because they have the lowest readiness for retirement (calculated), and non-retirement related financial goals (self-reported) and lowest confidence. They have the lowest confidence in Budgeting and slightly higher budget-to-income ratio than the other two age groups. Higher budget-to-income ratios have a negative impact on financial wellness.

## UK Median Financial Wellness Scores by income and generation

	All incomes	£10-30k	£30-50k	£50k+
All Ages	63	61	62	68
Younger Workers Aged 20-38	64	59	60	68
Middle-Aged Workers Aged 39-54	61	59	61	68
Older Workers Aged 55+	67	65	68	74

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is annual. The Fidelity Financial Wellness Score ranges from 0 to 100. The higher the score the more financially well a household is. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

## UK Financial Wellness Scores by domain

The median scores become slightly more varied with further analysis of each of the four domains - Budgeting, Debt, Savings and Protection. Remember, each domain contributes a maximum of 25 points to the overall maximum score of 100 and contains an objective and subjective component.

### Budgeting

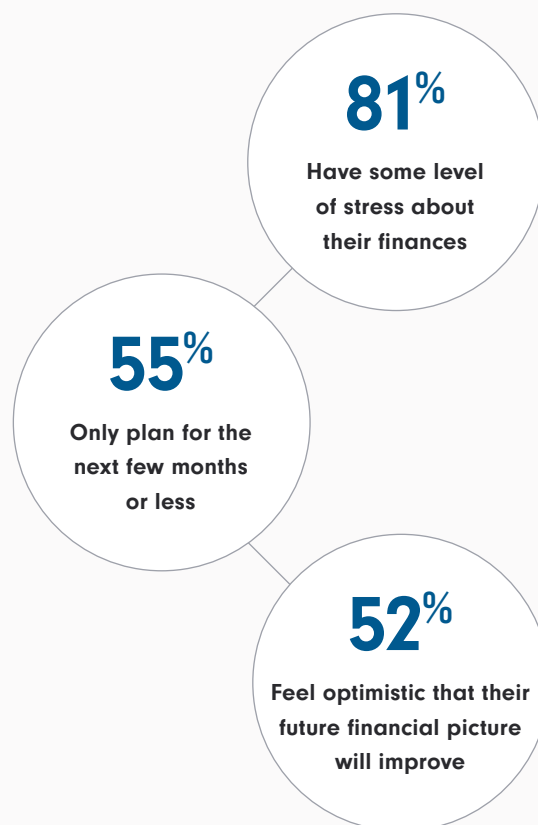
The median score for Budgeting was 16.

Our research showed that 59% of middle-aged workers reported spending at least as much as they earn, which is the highest among the three age groups. The corresponding number for older workers was 50%, which is lowest in the UK.

### Debt

Scores in the Debt domain were generally strong in the UK. The median score for Debt was 19, with older workers higher with a median score of 21.

On a subjective basis, 73% of older workers reported having a good or better than good feeling about debt. This compares to 55% and 58% for the middle-aged and younger workers, respectively. This finding is consistent with the lower reported number of debts, as well as a generally healthy debt-to-income ratio. Only 8% of older workers reported having two or more forms of debt, compared to 23% for middle-aged workers and 28% for younger workers.



## Savings

The median score for Savings was 16. Younger workers were highest in this category with a median score of 18, while middle-aged and older workers had a median score of 15.





In terms of how they feel, over half of respondents in the UK (63%) said they are not on track with their broad financial goals, with 19% nearly on track and 18% completely on track. When it comes to saving for retirement, the numbers are lower, with only 12% reporting that they are completely on track and 17% nearly on track, although 17% of respondents have 'increasing their pension contributions' and 11% have 'start to save into a pension' on their financial to-do list.

## Protection

This was the lowest of all four domains with a median score of 12.





Respondents in the UK did relatively poorly in terms of the number of forms of protections held, for example, life insurance, private medical coverage, will and estate plan. The median number of protections held was only one in the UK, which is low versus other regions like China where the protection count was three. UK respondents also had lower scores on the planning horizon question where longer reported planning horizons receive higher scores. In the UK, people typically think only a few months ahead for their financial needs. Regarding emergency savings, over half (55%) of UK respondents reported having four months or less of expenses covered if the primary earner lost their income.

**Distribution of domain scores by category in the UK (%)**

	 Budgeting	 Debt	 Savings	 Protection
<b>Needs Attention</b>	9%	2%	7%	34%
<b>Fair</b>	35%	15%	35%	37%
<b>Good</b>	45%	41%	38%	26%
<b>Excellent</b>	11%	42%	20%	3%





Source: Fidelity Global Financial Wellness Survey 2020. The percentages represent the % of survey respondents in each scoring category.

## UK Financial Wellness median domain scores by generation

	Total	 Budgeting	 Debt	 Savings	 Protection
All Ages	63	16	19	16	12
Younger Workers Aged 20-38	64	16	19	18	11
Middle-Aged Workers Aged 39-54	61	15	19	15	12
Older Workers Aged 55+	67	16	21	15	15

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

## UK Financial Wellness median domain scores by income

	Total	 Budgeting	 Debt	 Savings	 Protection
All Incomes	63	16	19	16	12
£10-£30k	61	14	20	15	12
£30-£50k	62	16	19	15	12
>£50k	68	17	19	19	13

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is annual. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

## Objective vs subjective wellness in the United Kingdom

We have outlined the importance of assessing both objective and subjective factors to provide a complete view of financial wellness. In the UK, we found that 24% of people surveyed have an overall mismatch between their own subjective assessment of financial wellness and Fidelity's objective assessment through the score. That is, some people are more confident than their score suggests they should be, and some are less.

The chart below shows that 8% of those surveyed don't feel very confident, but their objective assessment suggests they are in a good position and may benefit from a confidence boost. While 16% are overconfident and feel good but their objective assessment suggests they are not doing as well as they perceive and may need a 'wake-up call'.

It is also worth noting that while 49% are at the goal of both high objective and subjective financial wellness, 27% of respondents in the UK fall into the low objective and subjective category and would benefit from more comprehensive support.

When looking at objective and subjective financial wellness at the domain level, the degree of mismatch between subjective and objective is more pronounced. For example, in the Budgeting domain, 30% of UK respondents felt good about their budgeting situation but are objectively not in good shape given their score.

## Objective vs subjective financial wellness in the United Kingdom

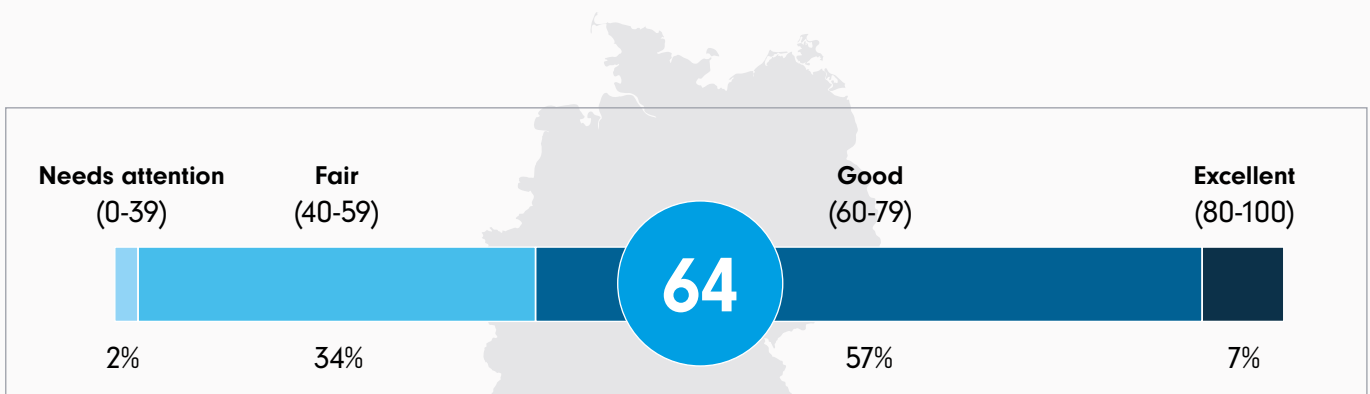
TOTAL FINANCIAL WELLNESS	High Objective Wellness	Low Objective Wellness
High Subjective Wellness	<b>49%</b> GOAL	<b>16%</b> WAKE-UP CALL
Low Subjective Wellness	<b>8%</b> CONFIDENCE BOOST	<b>27%</b> COMPREHENSIVE SUPPORT

Source: Fidelity Global Financial Wellness Survey, 2020. The percentage represents the % of survey respondents in each objective/subjective category.

# Regional Overviews

## Germany

Fidelity's analysis of financial wellness data for Germany resulted in a calculated median Financial Wellness Score of 64. When looking at the total score distribution most respondents were in the 'Good' (57%) or 'Fair' (34%) categories. Only 7% were in the 'Excellent' category and 2% in the 'Needs Attention' category. Overall, a score of 64 places Germany at the lower end of the 'Good' category and still suggests there is significant room for improvement.



Source: Fidelity Global Financial Wellness Survey, 2020. The Financial Wellness Score is median. The percentages represent the % of survey respondents in each scoring category. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

Median scores varied very slightly by age with younger workers in the strongest position across all incomes with a score of 67. A further examination by income shows that the middle-aged and older workers with higher incomes (€60k+) were in the strongest position overall with a score of 71. Across all age groups scores increased as incomes increased.

Younger workers have better feelings about savings, 60% reported feeling good or better about their savings compared to 48% and 47% for middle-aged and older workers, respectively. Younger respondents are also slightly better prepared for retirement, based on savings rates and current asset balances.

The retirement assessment also considers state pension benefit and (self-reported) access to an employer-funded defined benefit pension.

In Budgeting, 65% of younger workers reported having good or better feelings about their budget, compared to 45% for the other two age groups.



## Germany Median Financial Wellness Scores by income and generation

	All incomes	€20-40k	€40-60k	€60k+
All Ages	64	60	64	70
Younger Workers Aged 20-38	67	63	66	70
Middle-Aged Workers Aged 39-54	63	60	63	71
Older Workers Aged 55+	63	61	63	71

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is annual. The Fidelity Financial Wellness Score ranges from 0 to 100. The higher the score the more financially well a household is. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

### German Financial Wellness scores by domain

Scores become slightly more varied with further analysis of each of the four areas of financial wellness - Budgeting, Debt, Savings and Protection. Remember, each domain contributes a maximum of 25 points to the overall maximum score of 100 and contains an objective and subjective component.

#### Budgeting

The median score in this domain was 17. This was consistent across age groups but varied slightly by income with the lower-income group having a median score of 15 and the higher income group (€60k+) with a median score of 18.

The median budget-to-income ratio decreases with income, meaning the higher the income the lower percentage spent. The highest income group had a budget-to-income ratio of 38%, followed by 43% and 53% for the middle and the lowest income groups, respectively. Higher budget-to-income ratios have a negative impact on financial wellness.

On a subjective basis, feeling good about budgeting increases with income level. 76% of respondents in the highest income group reported feeling good or better about their budget, compared to 56% for the middle and 43% for the lower income group.



## Debt

Scores in the Debt domain were strong in Germany with a consistent median score of 19 across both age and income groups. This was the highest scoring domain.

Most of the respondents' reported debt was in the housing category such as rent (39%) or housing-related debt (25%). Consumer credit (23%) was the other highest category, although credit card balances are very low with only 11% reported carrying over €1000 or more each month, and very low levels of default with 95% reporting making payments on time.

When it comes to how they feel about debt, German respondents have a high level of satisfaction with their overall debt levels. Only 7% reported feeling some level of negativity on their debt levels, 21% had mixed feelings and 73% felt good, very good or fantastic.

## Savings

The median score for Savings was 16, and the scores rose slightly as income increased.

The subjective view was a little more mixed when it comes to savings. A related trend is that feeling good about savings increases with income. Only 40% of the respondents in the lowest income group reported feeling good or better in response to the 'how you feel about savings?' question, while the corresponding percentages for middle- and highest-income groups are 53% and 71%, respectively.

The feelings about retirement savings and non-retirement savings also increase with income. The percentage of respondents who report being on-track or nearly on-track are 36%, 42% and 62% for the lower, middle- and higher-income groups, respectively. Retirement readiness was also highest among the highest income group.





## Protection

The overall median score for Protection was 12 and was the lowest of all four domains across all age and income groups.

Over half (49%) of all respondents reported having three months or less of emergency savings and this increases to 60% for respondents in the lower income group. The percentage of respondents who reported having an emergency fund for six or more months increases with income (29%, 32% and 42% for the lower, middle- and higher-income groups, respectively). German workers were also relatively short term in their planning horizon with 58% of the respondents only thinking a few months ahead for their financial needs.





German respondents were subjectively less confident when it comes to financial protection, with only 40% of the respondents having said they feel good or better about their levels of protection. The highest income group scored better in the Protection domain with 58% of higher income respondents feeling 'good' about their protection. This is double the percentage of the lowest income group, which was at 29%.

**Distribution of domain scores by category in Germany (%)**

	 Budgeting	 Debt	 Savings	 Protection
<b>Needs Attention</b>	4%	1%	6%	33%
<b>Fair</b>	29%	10%	30%	33%
<b>Good</b>	56%	54%	45%	28%
<b>Excellent</b>	11%	35%	19%	6%





Source: Fidelity Global Financial Wellness Survey 2020. The percentages represent the % of survey respondents in each scoring category.

## Germany Financial Wellness median domain scores by generation

	Total	 Budgeting	 Debt	 Savings	 Protection
All Ages	64	17	19	16	12
Younger Workers Aged 20-38	67	17	19	18	13
Middle-Aged Workers Aged 39-54	63	16	19	16	12
Older Workers Aged 55+	63	16	19	16	12

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

## Germany Financial Wellness median domain scores by income

	Total	 Budgeting	 Debt	 Savings	 Protection
All Incomes	64	17	19	16	12
€20-€40k	60	15	19	15	11
€40-€60k	64	17	19	16	12
>€60k	70	18	19	18	15

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is annual. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

## Objective versus subjective financial wellness in Germany

The chart below shows that 74% of German respondents have an accurate perception of their financial wellness when considering how they feel and their objective scores. Half (51%) have higher objective scores and also feel good about their financial well-being, while 23% feel more pessimistic with lower objective scores that support this negative perception. The latter group could benefit from more comprehensive support.

This means that 26% of survey respondents have a mismatch between their objective and subjective assessment of financial wellness, with 19% having a high subjective score and low objective score. For this group, a reality check may be necessary. On the other side, 7% of respondents could use a confidence boost as their subjective financial wellness is low, but their objective score is higher.

This mismatch was across all domains, as well. In Protection, the total mismatch was 38%, with 31% feeling optimistic but with low objective scores. Budgeting is a similar story where 27% of respondents felt optimistic, but rated themselves higher than their objective scores, while 10% were overly pessimistic with a subjective percentage lower than their objective scores.

## Objective versus subjective financial wellness in Germany

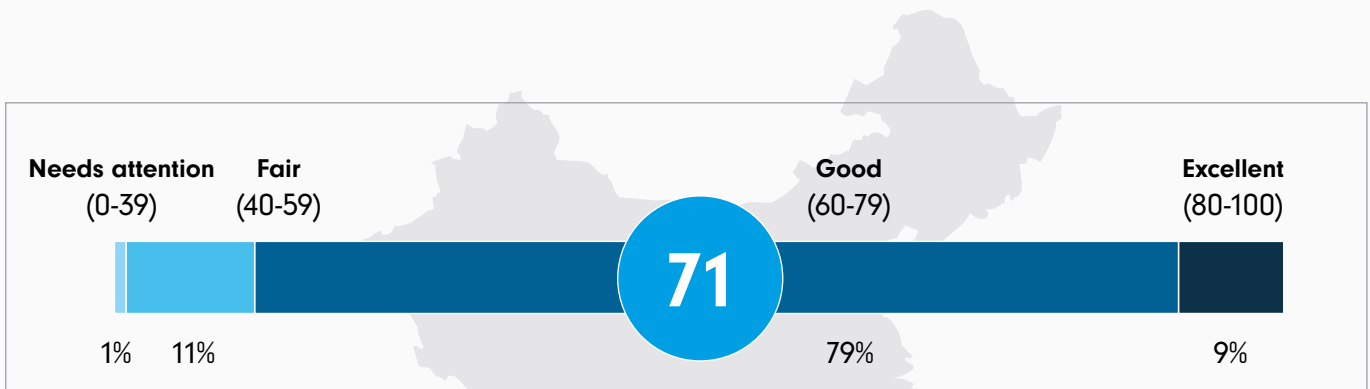
TOTAL FINANCIAL WELLNESS	High Objective Wellness	Low Objective Wellness
High Subjective Wellness	<b>51%</b> GOAL	<b>19%</b> WAKE-UP CALL
Low Subjective Wellness	<b>7%</b> CONFIDENCE BOOST	<b>23%</b> COMPREHENSIVE SUPPORT

Source: Fidelity Global Financial Wellness Survey, 2020. The percentage represents the % of survey respondents in each objective/subjective category.

# Regional Overviews

## China

Fidelity's analysis of financial wellness data for China resulted in a calculated median Financial Wellness Score of 71, the highest score among the six surveyed regions and near the mid-point of the 'Good' scoring range. When looking at the median score distribution, 79% of respondents are in the 'Good' category, 9% are in the 'Excellent' category. 11% and 1% are in 'Fair' and 'Needs Attention' categories respectively.



Source: Fidelity Global Financial Wellness Survey, 2020. The Financial Wellness Score is median. The percentages represent the % of survey respondents in each scoring category. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

China scored highest in the Protection and Savings domains and tied with Canada and Germany in the Budgeting domain. Within the Protection domain China did well across emergency savings, planning ahead, and the number of forms of financial protection respondents reported having. In the Savings domain, China had the highest assessed retirement readiness.

Median scores in China increased with age. Older workers scored 74, the highest score on an all-income basis of any group across the six surveyed regions. Middle-aged workers in China returned a score of 72 with younger workers at 68.

## China Median Financial Wellness Scores by income and generation

	All incomes	¥5k -15k	¥15k-25k	¥25k+
All Ages	71	70	72	69
Younger Workers Aged 20-38	68	66	69	69
Middle-Aged Workers Aged 39-54	72	70	71	71
Older Workers Aged 55+	74	73	71	70

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is monthly. The Fidelity Financial Wellness Score ranges from 0 to 100. The higher the score the more financially well a household is. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

### China Financial Wellness Domain Scores

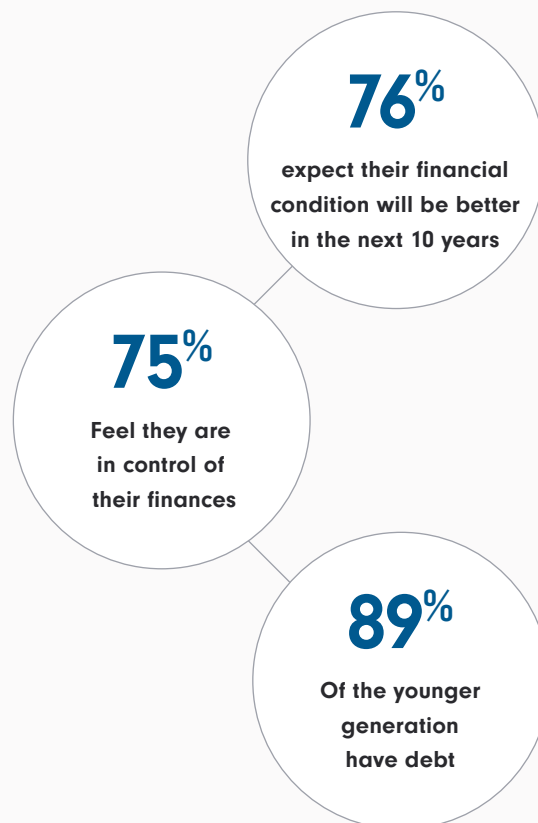
With further analysis of the four areas of financial wellness - Budgeting, Debt, Savings and Protection - we can see some scoring differences across each domain. Remember, each domain contributes a maximum of 25 points to the maximum overall score of 100 and contains an objective and subjective component.

#### Budgeting

The median score for Budgeting was 17 and this was consistent across all age and income groups except for lower income respondents who had a slightly lower median score of 16.

The median budget-to-income ratio was highest for the lower income group at 48% and lowest for the middle-income group at 41%. Higher budget-to-income ratios have a negative impact on financial wellness. On a spending basis, only 57% of the respondents in the lower income group reported spending less than they can afford, compared to 64% and 72% of the middle income and higher income groups, respectively.

On a subjective basis, fewer of the respondents in the lower income group (59%) reported feeling good or better about budgeting, compared to a higher percentage of middle income (68%) and higher income (77%) workers, respectively.



## Debt

Scores in the Debt domain were generally strong with a median score of 18.

Younger workers in China have a higher number of reported debts than older workers, contributing to a lower median Debt score. Only 15% of older workers report having three or more forms of debt, compared to 20% and 27% for middle-aged and younger workers, respectively. The debt-to-income ratio is highest for the younger generation at 16% compared to 14% for middle-aged and older workers. A higher debt-to-income ratio also has a negative impact on financial wellness.

On a subjective basis, 75% of older workers reported feeling good or better about their debt situation compared to 60% and 62% for middle-aged and younger workers, respectively.

## Savings

The median score for the Savings domain was 18. It is worth noting that scores in the Savings domain were positively related to age. Older workers had a median score of 21 which puts them in the 'Excellent' category.

On the other hand, median scores in the Savings domain decrease with income level with higher income workers having slightly lower scores. This is due in part to the fact that assessed retirement readiness decreased for the highest income workers whose median retirement age is 56 (median retirement ages for middle income and lower income workers are 58 and 60, respectively). In other words, readiness goes down when

retirement age goes down thus leading to a slightly lower Savings score for the highest income workers.

Partially offsetting the impact of retirement age, positive feelings about savings increased with income, with 57% of the lower income respondents reporting feeling good or better with respect to their savings situation compared to higher figures of 67% and 77% for middle income and higher income respondents, respectively.





## Protection

The overall median score for Protection was 18.

When it comes to planning, more middle-aged workers have a longer planning horizon with 30% thinking about their financial needs for five or more years ahead, compared to 21% for younger workers and 20% for older workers. More middle-aged workers (66%) report having an emergency fund of six months or more compared to 64% of older workers and 61% of younger workers.





The subjective view was quite different. It was older workers who were more confident with 68% reporting having a good or better feeling about their protection, compared to 49% for younger and middle-aged workers. Subjective financial wellness increased with income, with 48% of the respondents in the lower income group reporting feeling good or better about their protection situation versus 55% and the 64% for middle- and higher-income groups, respectively.

**Distribution of domain scores by category in China (%)**

	 Budgeting	 Debt	 Savings	 Protection
<b>Needs Attention</b>	3%	1%	0%	2%
<b>Fair</b>	24%	16%	14%	23%
<b>Good</b>	63%	71%	54%	53%
<b>Excellent</b>	10%	12%	32%	22%





Source: Fidelity Global Financial Wellness Survey 2020. The percentages represent the % of survey respondents in each scoring category.

## China Financial Wellness median domain scores by generation

	Total	 Budgeting	 Debt	 Savings	 Protection
All Ages	71	17	18	18	18
Younger Workers Aged 20-38	68	17	17	17	17
Middle-Aged Workers Aged 39-54	72	17	18	19	18
Older Workers Aged 55+	74	17	18	21	18

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

## China Financial Wellness median domain scores by income

	Total	 Budgeting	 Debt	 Savings	 Protection
All Incomes	71	17	18	18	18
¥5k -15k	70	16	17	20	17
¥15k-25k	72	17	18	19	18
¥25k+	69	17	17	17	18

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is monthly. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).



## Objective versus subjective financial wellness in China

We have outlined the importance of assessing both objective and subjective factors to provide a complete view of financial wellness.

Overall, we found that 24% of people surveyed have a mismatch between their objective and subjective assessment of financial wellness. The chart below shows that 71% of respondents in China have high objective and subjective financial wellness. This is the highest of the six regions surveyed. In contrast, 11% feel confident but their objective assessment suggests they are not in a good position, while 13% need a confidence boost. A low percentage (5%) of respondents were classified as needing comprehensive support with both low subjective and objective results.

This mismatch in objective and subjective financial wellness was across all domains and most pronounced in the Budgeting

category where the total mismatch was 46%, with 36% feeling optimistic, but the score suggests otherwise.

The Savings domain had a 37% mismatch with 22% more optimistic than their objective score suggests. In this domain, younger workers were more optimistic than their scores indicate compared to middle-aged and older workers. 35% of younger workers were more optimistic than their scores suggest, compared to 17% and 10% for middle-aged and older workers, respectively.

The Debt domain has a mismatch of 39%, with 30% of respondents more optimistic than their objective scores suggest. The Protection domain has a 44% mismatch, with 22% more optimistic than their objective scores suggest.

## Objective versus subjective financial wellness in China

TOTAL FINANCIAL WELLNESS	High Objective Wellness	Low Objective Wellness
High Subjective Wellness	<b>71%</b> GOAL	<b>11%</b> WAKE-UP CALL
Low Subjective Wellness	<b>13%</b> CONFIDENCE BOOST	<b>5%</b> COMPREHENSIVE SUPPORT

Source: Fidelity Global Financial Wellness Survey, 2020. The percentage represents the % of survey respondents in each objective/subjective category.

# Regional Overviews

## Hong Kong

Fidelity's analysis of financial wellness data for Hong Kong resulted in a calculated median Financial Wellness Score of 65. Looking at the total score distribution, most respondents were in the 'Good' (62%) or 'Fair' (31%) categories. At the top end, 3% were in the 'Excellent' category and 4% were in 'Needs Attention.' Overall, this places Hong Kong in the 'Good' category, although a score of 65 out of 100 suggests significant room for improvement.



Source: Fidelity Global Financial Wellness Survey, 2020. The Financial Wellness Score is median. The percentages represent the % of survey respondents in each scoring category. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

Financial wellness scores varied slightly by age in Hong Kong. Younger workers scored 67 and are in the strongest position across all income groups. Across all age groups, scores increased as incomes increased. A further examination by income shows that older workers in the higher income group (greater than HK\$50k) scored the highest at 73, which puts this group in the strongest position of financial wellness among all ages and income groups.

Apart from the Debt domain, where scores were consistently high at 19 across all age and income groups, Hong Kong scores generally increased with income. Higher income respondents scored highly in Savings (18), Budgeting (17) and Protection (17). The percentage of respondents who reported feeling good or better about their savings was lowest for the lower income group (62%) and highest for the higher income group (77%).

In the Budgeting domain, how respondents feel about their budgets also increased with income. In Hong Kong, 76% of higher earners feel good or better about their budget, whereas 64% of middle- and lower- income workers feel the same. On a spending basis, only 37% of lower income respondents spend less than they can afford while the corresponding figures for middle and higher earners was much higher at 43% and 57%, respectively. When looking at the median budget-to-income ratio, this decreased with income. The median budget-to-income ratios for lower, middle and higher-income groups was 52%, 45% and 42%, respectively.

## Hong Kong Median Financial Wellness Scores by income and generation

	All incomes	HK\$15k - 30k	HK\$30k - 50k	HK\$50k+
All Ages	65	63	65	71
Younger Workers Aged 20-38	67	63	67	71
Middle-Aged Workers Aged 39-54	65	63	64	69
Older Workers Aged 55+	66	64	68	73

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is monthly. The Fidelity Financial Wellness Score ranges from 0 to 100. The higher the score the more financially well a household is. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

## Hong Kong Financial Wellness Scores by domain

With further analysis of the four domains - Budgeting, Debt, Savings and Protection - the scores revealed that Hong Kong is weaker in Savings and Protection but stronger in Debt. Remember, each domain contributes a maximum of 25 points to the overall maximum score of 100 and contains an objective and subjective component.

### Budgeting

The median score for Budgeting was 16 and scores were very close across all ages and incomes.

In Hong Kong, 32% of older workers expressed that they spend less than they can afford, compared to 49% and 48% of middle-aged and younger workers, respectively. On a subjective basis, 41% of respondents were very or extremely confident in their budget planning.

### Debt

People are doing relatively well in the Debt domain with a median score of 19. In the Debt domain, 93% of total respondents scores fell into the 'Good' and 'Excellent' categories.

Older workers had a slightly higher median score of 20. Contributing to this score is a low debt-to-income ratio and only 4% of this group reported having two or more forms of debt. The percentage of both middle-aged and younger workers having two or more forms of debt was significantly higher at 28%.



## Savings

The median score for the Savings domain was 15. Savings domain scores are inversely related to age with middle-aged and older workers scoring 14 and 13, respectively, while younger respondents had a higher score of 18.

The reported household median savings rate was higher for younger workers, who were also assessed to be better prepared for retirement likely due in part to the higher reported savings rate and a higher age-adjusted asset balance. Middle-aged and older workers were assessed to be relatively less prepared for retirement. Higher income households also reported being more prepared for retirement with 42% on track to meet their retirement savings goals, compared to 30% for lower- and middle-income respondents.

On a subjective basis, 26% of all Hong Kong respondents reported feeling only 'slightly' or 'not at all confident' in the ability to save for their goals.

## Protection

The median score for the Protection domain was 15.





In this domain, the percentage of respondents who reported having emergency funds of six months or more increased with age - 54% of younger workers compared to 72% and 80% for the middle-aged and older workers, respectively. The reported

planning horizon also increased with age and 30% of younger respondents reported thinking about their financial needs five years or more ahead, compared to 43% and 60% for the middle-aged and older groups, respectively.

Positive feelings about protection also increased with age and 37% of younger workers reported feeling good or better about their financial protection situation versus 50% and 55% for middle-aged and older respondents, respectively.





Scores also increased with income in the Protection domain. Higher income respondents tended to have a longer planning horizon with 54% planning for the next five or more years, compared to 47% and 36% for the middle and lower income groups. Levels of emergency savings were relatively high for all income groups, with 65% of lower income respondents and 70% of middle- and higher-income respondents reporting having emergency savings to cover six months or more. In Protection, higher earners also felt subjectively better about their protection with 57% feeling good, very good or fantastic compared to 43% of lower income respondents.

**Distribution of domain scores by category in Hong Kong (%)**

	 Budgeting	 Debt	 Savings	 Protection
<b>Needs Attention</b>	5%	0%	16%	13%
<b>Fair</b>	30%	7%	33%	34%
<b>Good</b>	57%	61%	32%	48%
<b>Excellent</b>	8%	32%	19%	5%





Source: Fidelity Global Financial Wellness Survey 2020. The percentages represent the % of survey respondents in each scoring category.

## Hong Kong Financial Wellness median domain scores by generation

	Total	 Budgeting	 Debt	 Savings	 Protection
All Ages	65	16	19	15	15
Younger Workers Aged 20-38	67	16	19	18	14
Middle-Aged Workers Aged 39-54	65	16	19	14	16
Older Workers Aged 55+	66	17	20	13	16

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

## Hong Kong Financial Wellness median domain scores by income

	Total	 Budgeting	 Debt	 Savings	 Protection
All Incomes	65	16	19	15	15
HK\$15 - 30k	63	16	19	13	15
HK\$30 - 50k	65	16	19	15	15
HK\$50k+	71	17	19	18	17

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is monthly. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

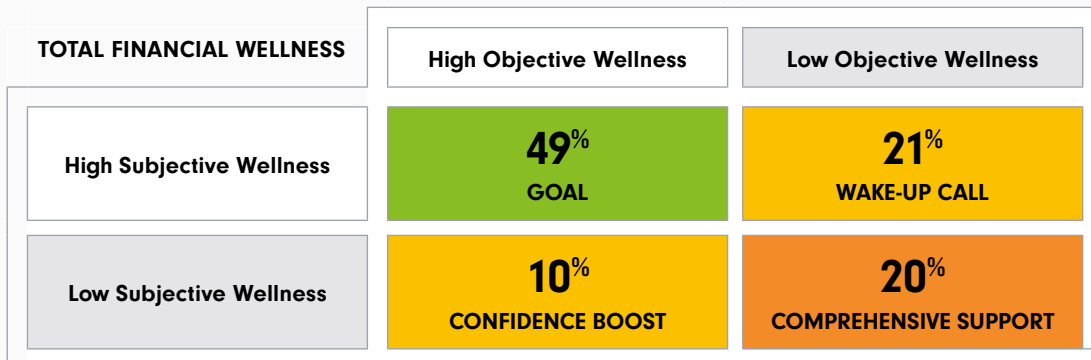
## Objective versus subjective financial wellness in Hong Kong

We have outlined the importance of assessing both objective and subjective factors to provide a complete view of financial wellness.

We found that 31% of Hong Kong people surveyed have a mismatch between their objective and subjective assessment of financial wellness. The chart below shows that 49% of respondents are confident with respect to their overall financial wellness and their objective assessment aligns with their subjective assessment. On the other hand, 21% of those who were surveyed feel very confident, but the objective score suggests they are not doing as well as they perceive. This population is 'overconfident.'

There is a subjective/objective mismatch in all four domains. In the Savings domain, 37% of respondents are 'overconfident' in that they feel good about their savings behaviours and actions, but their objective scores are low. In the Budgeting domain, 30% are 'overconfident' and in the Protection domain, the percentage of 'overconfident' respondents was 27%. A high percentage of respondents (39%) have both low subjective and low objective scores in the Protection domain, illustrating the possible need for comprehensive support or education regarding protection.

## Objective versus subjective financial wellness in Hong Kong

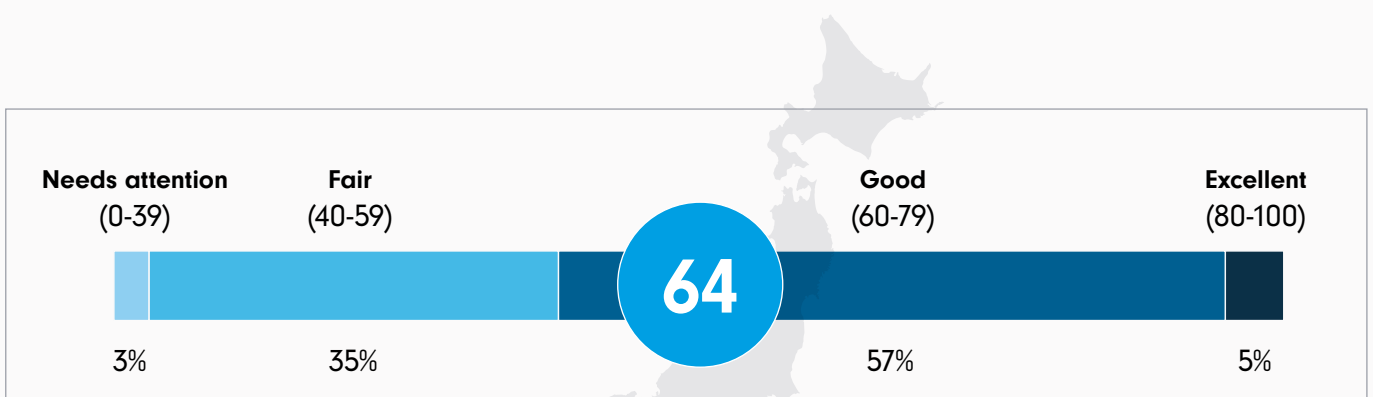


Source: Fidelity Global Financial Wellness Survey, 2020. The percentage represents the % of survey respondents in each objective/subjective category.

# Regional Overviews

## Japan

Fidelity's analysis of financial wellness data for Japan resulted in a calculated median Financial Wellness Score of 64. When looking at the total score distribution most respondents were in the 'Good' (57%) or 'Fair' (35%) categories. Only 5% were in the 'Excellent' category and 3% were in the 'Needs Attention' category. Overall, a score of 64 placed Japan at the lower end of the 'Good' category and still suggests there is room for improvement.



Source: Fidelity Global Financial Wellness Survey, 2020. The Financial Wellness Score is median. The percentages represent the % of survey respondents in each scoring category. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

Older workers across all income levels had the highest median scores, with those older workers in the highest income bracket (¥7M+ annually) having the highest score of 68. Younger and middle-aged workers in the lowest income range (¥3M-¥5M annually) scored the lowest with scores of 59 and 58, respectively.

Across all age groups, scores increased as incomes increased. This was most notable in the Protection and Budgeting domains.

## Japan Median Financial Wellness Scores by income and generation

	All incomes	¥3 - 5M	¥5 - 7M	¥7M+
All Ages	64	60	64	66
Younger Workers Aged 20-38	62	59	62	62
Middle-Aged Workers Aged 39-54	61	58	61	66
Older Workers Aged 55+	67	64	68	68

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is annual. The Fidelity Financial Wellness Score ranges from 0 to 100. The higher the score the more financially well a household is. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

## Japan Financial Wellness Scores by domain

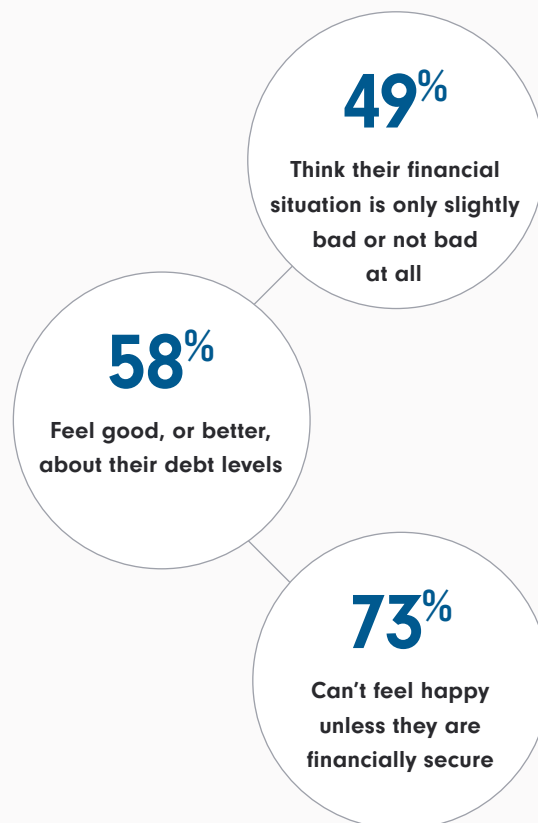
Scores become slightly more varied with further analysis of each of the four domains - Budgeting, Debt, Savings and Protection. Remember, each domain contributes a maximum of 25 points to the overall maximum score of 100 and contains an objective and subjective component.

### Budgeting

The overall median score for Budgeting was 15. This score was consistent across younger, middle-aged and older workers, but the score varied slightly by income level, increasing by one point in each income bracket from a median score of 14 for the lowest incomes (¥3-5M) to a median score of 16 for the highest incomes (¥7+).

In Budgeting, the median budget-to-income ratio decreased with income -- 52% for lower income respondents compared to 46% for middle income respondents and 33% for high income respondents.

Subjectively, how respondents feel about budgeting increased with income. Only 24% of lower income respondents reported having a good or better feeling about their budget compared to 33% and 38% for the middle income respondents and higher income groups.





## Debt

Median scores in the Debt domain were very strong in Japan with a score of 20 – which is considered ‘Excellent’ – across almost all age and income groups. This was the highest scoring domain.

On an objective basis, the median debt-to-income ratio was low. 88% of respondents reported carrying no credit card debt and 40% reported having no debts at all.

The subjective view was also positive. Japanese respondents reported having a high level of satisfaction with their overall debt levels, with 58% feeling ‘good, very good or fantastic’ about their debt levels with even higher levels of satisfaction (67%) among older workers. Mortgage, rent, and car loans were the top three debts or liabilities owned by Japanese people, and nearly three-quarters (72%) pay off their credit cards on time.

## Savings

The weakest score in Japan was in the Savings domain at 13, with a median score of 12 for younger and middle-aged workers.

On a subjective basis, 72% of the respondents reported having mixed or worse feelings for their savings situation and 34% were not very confident about meeting their financial goals. When asked how on track they were to meet their financial goals (other than retirement), 98% reported that they do not feel completely on track, with 29% reporting they were ‘not at all’ on track to meet their financial goals. This was particularly true with middle-aged workers, 36% of whom reported they were ‘not at all’ on track.

Regarding retirement goals, it was a consistent 98% reporting that they do not feel completely on track. However, older workers scored relatively better in Savings, primarily due to their higher retirement readiness driven by higher median retirement age and a greater estimated impact of defined-benefit pensions.

## Protection

The median score for the Protection domain was 16. Younger and middle-aged workers scored the same here with a score of 15. Older workers did slightly better with a score of 17.





Taking an objective view, 25% of Japanese workers reported having less than three months of emergency savings to cover expenses if the primary earner lost their income. The percentage of respondents who reported having an emergency fund of six months or more increased with age. 50% of younger respondents reported having an emergency fund of six months or more, compared to 54% for middle-aged and 77% for older respondents.

On a subjective basis, when asked ‘How do you feel about your household’s ability to manage financially if something bad happened, such as one of you lost your job, were injured or sick so you couldn’t work or died?’ 44% reported feeling ‘bad,’ 24% had ‘mixed feelings’ and 33% felt ‘good, very good or fantastic’ about their level of protection.

The number of respondents feeling good about their levels of protection increased with income. 27% of the lower income respondents feel good or better (good, very good or fantastic) in the Protection domain, 34% of respondents in the middle-income group, and 42% of respondents in the high-income group reporting having a good or better feeling about their protection. Objectively, the Protection score was also directly related to age, with 29% of younger workers reporting having three or more protections compared to 39% for middle-aged workers and 53% for older workers.





In terms of planning horizon, 39% of younger respondents reported thinking about their financial needs five years or more ahead, while the corresponding numbers for middle-aged and older respondents were 49% and 62%, respectively.

### Distribution of domain scores by category in Japan (%)

	 <b>Budgeting</b>	 <b>Debt</b>	 <b>Savings</b>	 <b>Protection</b>
<b>Needs Attention</b>	10%	1%	21%	13%
<b>Fair</b>	38%	7%	50%	28%
<b>Good</b>	46%	44%	22%	51%
<b>Excellent</b>	6%	48%	7%	8%





Source: Fidelity Global Financial Wellness Survey 2020. The percentages represent the % of survey respondents in each scoring category.

## Japan Financial Wellness median domain scores by generation

	Total	 Budgeting	 Debt	 Savings	 Protection
All Ages	64	15	20	13	16
Younger Workers Aged 20-38	62	15	20	12	15
Middle-Aged Workers Aged 39-54	61	15	19	12	15
Older Workers Aged 55+	67	15	21	14	17

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

## Japan Financial Wellness median domain scores by income

	Total	 Budgeting	 Debt	 Savings	 Protection
All Incomes	64	15	20	13	16
¥3 - ¥5M	60	14	20	12	14
¥5 - ¥7M	64	15	20	13	16
¥7M+	66	16	20	13	17

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is annual. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

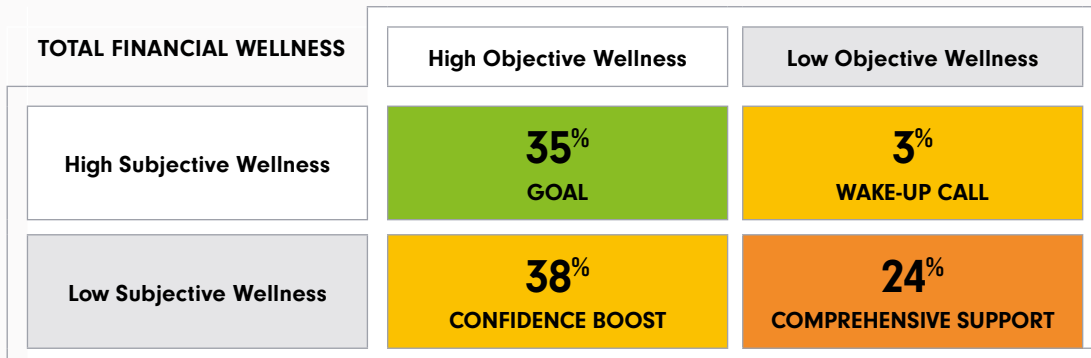
## Objective versus subjective financial wellness in Japan

In Japan, 41% of the population had an observed mismatch between their objective and subjective assessments of financial wellness. This was particularly weighted to those respondents (38%) who reported 'lacking confidence.' They don't feel very confident about their financial well-being, but objectively are assessed to be in good shape. The level of unwarranted pessimism (low subjective scores/high objective scores) was greatest in the Debt and Protection domains and least in the Savings domain. In the Protection domain, 44% had a mismatch between their objective and subjective financial wellness. 35% need a 'confidence boost' because they're objectively assessed to be in fairly good shape in the Protection domain, but they don't believe they are.

In total, 62% of all respondent households in Japan are pessimistic (lacking confidence and expressing negative emotions) about their overall financial situation.

The chart below shows that 35% had an accurate perception of their position and have achieved the goal of high objective and subjective financial wellness. Conversely, nearly a quarter of Japanese can be characterised as having low levels of subjective and objective financial wellness and would benefit from comprehensive support.

## Objective versus subjective financial wellness in Japan

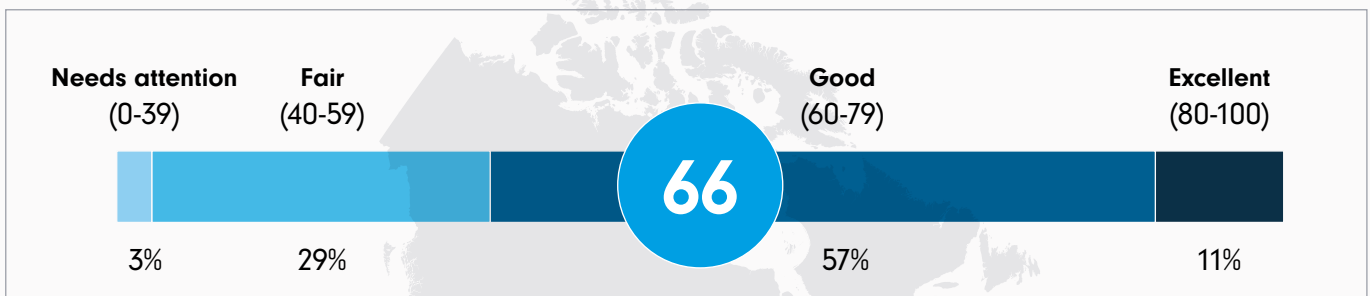


Source: Fidelity Global Financial Wellness Survey, 2020. The percentage represents the % of survey respondents in each objective/subjective category.

# Regional Overviews

## Canada

Fidelity's analysis of financial wellness data for Canada resulted in a calculated median Financial Wellness Score of 66. Overall, this placed Canada below the midpoint of the 'Good' range, indicating opportunities for improvement. When looking at the total score distribution most respondents were in the 'Good' (57%) or 'Fair' (29%) categories. Only 11% were in the 'Excellent' category and 3% were in the 'Needs Attention' category.



Source: Fidelity Global Financial Wellness Survey, 2020. The Financial Wellness Score is median. The percentages represent the % of survey respondents in each scoring category. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

Older workers had the highest median score of 69, followed by younger workers with a score of 67. Middle-aged workers in Canada scored a 63, putting this group into the lowest end of the 'Good' category. Across all age groups, median scores increased as incomes increased.

## Canada Median Financial Wellness Scores by income and generation

	All incomes	\$30k - 50k	\$50k - 80k	\$80k - \$120k	\$120k+
All Ages	66	61	64	67	71
Younger Workers Aged 20-38	67	63	64	66	71
Middle-Aged Workers Aged 39-54	63	58	61	65	69
Older Workers Aged 55+	69	61	66	70	76

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is annual. The Fidelity Financial Wellness Score ranges from 0 to 100. The higher the score the more financially well a household is. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39).

## Canada Financial Wellness Scores by domain

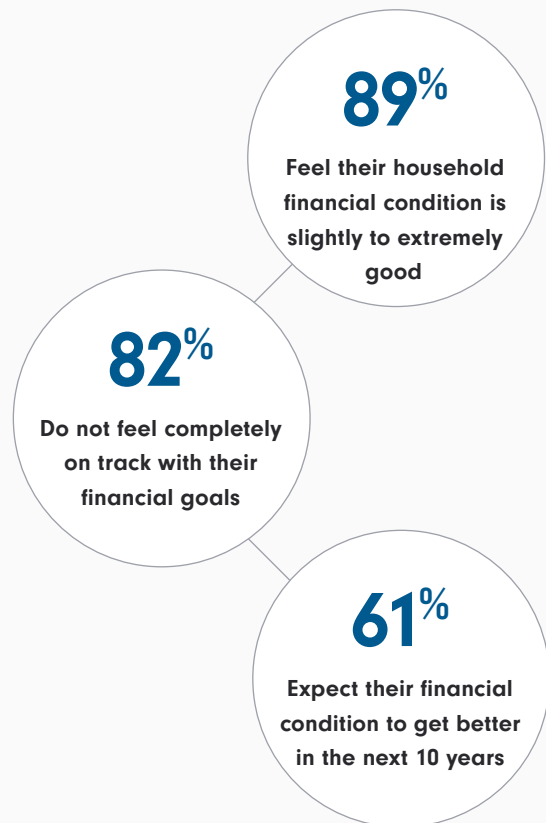
In Canada, the median scores across the four domains - Budgeting, Debt, Savings and Protection - varied only slightly with Protection the lowest at 14 and Debt the highest at 18. Remember, each domain contributes a maximum of 25 points to the overall maximum score of 100 and contains an objective and subjective component.

### Budgeting

The overall median score for the Budgeting domain was 17, which was consistent across all age groups and at the low end of 'Good,' but increased progressively with income.

Only 11% of Canadians reported spending more than they can afford each month. Middle-aged workers scored slightly worse than the other two age groups. Only 46% of middle-aged workers reported spending less than they can afford versus 53% for both younger and older workers. Budget-to-income ratio was also highest for middle-aged workers. Lower budget-to-income ratios are positive for financial wellness. In terms of how they feel, only 53% of middle-aged workers reported feeling good or better about their budget situation versus 64% and 65% for the younger and older workers, respectively.

The median budget-to-income ratio also decreased progressively with income level. And the percentage of respondents who reported spending less than they can afford increases with income from 47% for the lowest income group to 59% for the



highest income group. The percentage of respondents who reported having a good or better feeling about their budget situation also increased with income level.

While confidence might generally be high, you will see in the section below focused on objective versus subjective wellness that Canadians' high subjective assessment of their budgeting prowess is tempered by a lower objective score in this domain.

## Debt

Across age and income, the scores in the Debt domain are high for Canada and fall solidly in the upper range of 'Good.' On average, Canadians reported allocating 15% of their monthly income to paying down debt, with the two most common liabilities being credit cards and mortgage.

In the Debt domain, older workers scored higher than the other two generations. A larger percentage of older workers (68%) reported feeling good or better with respect to their debt than middle-aged (55%) and younger (63%) workers. The debt-to-income ratio was also lowest for older workers. Lower debt-to-income ratios are positive for financial wellness.

## Savings

The median Savings score for Canada was 17, with scores positively related to income level with the highest earners (\$120k+) having a median Savings score of 19. This is due to a combination of more respondents in the higher income bracket feeling good or better about their savings, and objective observations like

retirement readiness and being on track with retirement and non-retirement savings goals, which increased with income.

Younger workers scored higher than older workers, who in turn scored higher than middle-aged workers. Retirement readiness for younger workers was assessed to be the highest among all age groups.





On a subjective basis, the percentage of respondents who reported feeling on track for both retirement and non-retirement goals was lowest for middle-aged workers.

## Protection

In Canada, the Protection domain had the lowest median score of all the domains and also represented the weakest scores across all incomes. The percentage of respondents who reported feeling good or better in their protection increased progressively with income level. The number of respondents who reported having emergency funds of six months or more also increased with income as did the number of respondents who think about their financial needs five years or more ahead.





In the Protection domain, older workers scored highest and 60% of this group reported having emergency savings for six months or more compared to 38% and 37% for middle-aged and younger workers, respectively. More older workers have a longer planning horizon with 27% thinking about their financial needs for five years or more compared to 20% and 15% for the middle-aged and younger groups, respectively.

**Distribution of domain scores by category in Canada (%)**

	 Budgeting	 Debt	 Savings	 Protection
<b>Needs Attention</b>	4%	1%	7%	18%
<b>Fair</b>	27%	19%	28%	36%
<b>Good</b>	54%	57%	36%	37%
<b>Excellent</b>	15%	23%	29%	9%





Source: Fidelity Global Financial Wellness Survey 2020. The percentages represent the % of survey respondents in each scoring category.

## Canada Financial Wellness median domain scores by generation

					
	Total	Budgeting	Debt	Savings	Protection
All Ages	66	17	18	17	14
Younger Workers Aged 20-38	67	17	18	18	14
Middle-Aged Workers Aged 39-54	63	16	17	16	14
Older Workers Aged 55+	69	17	19	17	16

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

## Canada Financial Wellness median domain scores by income

					
	Total	Budgeting	Debt	Savings	Protection
All Incomes	66	17	18	17	14
\$30k - 50k	61	15	18	15	13
\$50k - 80k	64	16	18	16	14
\$80k - 120k	67	17	17	18	15
\$120k+	71	18	18	19	16

Source: Fidelity Global Financial Wellness Survey 2020. All Financial Wellness Scores are median scores. Income represented is annual. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).



## Objective versus subjective financial wellness in Canada

We have outlined the importance of assessing both objective and subjective factors to provide a complete view of financial wellness. In Canada, we found that 24% of people surveyed have a mismatch between their objective and subjective assessment of financial wellness. That is, some people are more confident that their objective score suggests they should be, and some are less.

The chart below shows that 10% of those surveyed don't feel very confident, but their objective score suggests they are in a good position. The inverse is true of the 14% who feel optimistic about their financial well-being, but their objective score suggests they are not doing as well as they perceive.

It is also worth noting that while 54% are at the goal of high objective and subjective financial wellness, 22% of respondents

in Canada are the opposite and would benefit from more comprehensive support.

The largest mismatches are in the Budgeting and Protection domains. In the Protection domain, Canadians may need a 'wake-up call' given that 30% have a low objective score, but their subjective assessment of wellness as it relates to financial protection was high. In other words, a significant minority of Canadians are unduly optimistic about their financial protection. The same is true in the Budgeting domain, as more than a quarter (27%) of survey respondents have a high subjective assessment of their wellness related to budgeting, but objectively their scores are low.

## Objective versus subjective financial wellness in Canada

TOTAL FINANCIAL WELLNESS	High Objective Wellness	Low Objective Wellness
High Subjective Wellness	<b>54%</b> GOAL	<b>14%</b> WAKE-UP CALL
Low Subjective Wellness	<b>10%</b> CONFIDENCE BOOST	<b>22%</b> COMPREHENSIVE SUPPORT

Source: Fidelity Global Financial Wellness Survey, 2020. The percentage represents the % of survey respondents in each objective/subjective category.

## Implications for Employers

The state of one's financial situation cannot simply be measured based on the size of their bank account, retirement account, or paycheck. When assessing financial wellness, we must also account for people's financial expectations and goals, as well as the behaviors they are demonstrating with respect to spending, saving, investing, and protecting themselves and their assets.

Having a methodology to define and measure financial wellness affords the ability to better understand the needs of workers and can inform the development and deployment of workplace benefits to meet those needs. The framework also offers the ability to target those benefits more effectively, delivering them to the right set of employees at the right time.

At a high level, we believe the Fidelity Financial Wellness Score methodology paints a clear picture about the overall state of financial wellness in the United Kingdom, Germany, China, Hong Kong, Japan, and Canada, as well as insights into how the state of financial wellness varies within each region's population. Multi-national companies with employees in these regions, and employers who operate solely in these regions, are becoming increasingly focused on employee financial wellness. These employers now can assess the region-specific financial wellness pain points outlined in this paper and take action.

We are in volatile financial times where workers face a multitude of competing demands, many are not sure how to prioritise or what steps to take to improve their situation. To address these matters and increase financial wellness both inside and outside the workplace, Fidelity encourages employers to consider the benefits of deeply understanding the financial state of their employees and supplying the solutions they need to build financial confidence.

# Appendix

## About the Fidelity Global Financial Wellness Survey

The survey population consisted of respondents with the following qualifying conditions: individuals aged 20-75 years old; working full-time or part-time or have spouse working full-time or part-time; expecting to retire someday; the main financial decision maker or equal joint main financial decision maker in the household; a minimum household income of: United Kingdom: £10,000 annually; Germany: €20,000 annually; China: RMB 5,000 monthly; Hong Kong: HK\$15,000 monthly; Japan: ¥3,000,000 annually; Canada: CA\$30,000 annually.

The research and analysis were completed for the United Kingdom, Germany, China, Hong Kong, Japan, and Canada. Data collection was completed in partnership with Ipsos, a global market and opinion research specialist, who collected and collated data for each region between March 2020 and May 2020.

## Important information

The Financial Wellness Score, and its four component domain scores, is calculated based on certain assumptions and are for reference only. This information is intended to be educational and is not tailored to the investment or financial planning needs of any specific investor. This information does not constitute investment advice and should not be used as the basis for any investment decision nor should it be treated as a recommendation for any investment or action.

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