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38%

Percentage of workers who said they did not know where to go for good financial or retirement planning advice. More retirees had help, with only 19% saying they did not know where to go for advice.

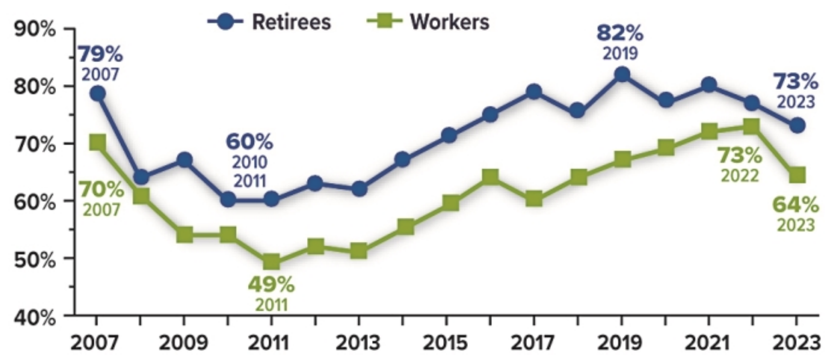
Source: Employee Benefit Research Institute, 2023

Workers and Retirees Losing Confidence

In 2023, only 64% of workers were at least somewhat confident that they would have enough money to live comfortably in retirement, a significant drop from 73% in 2022. Retirees felt better about their prospects, with 73% saying they were at least somewhat confident, but this was down from 82% in 2019. These were the largest declines since the 2008 financial crisis.

In both groups, the most common reasons given by those who were not confident were insufficient savings and inflation.

Percentage who said they were very or somewhat confident in having enough money to live comfortably throughout their retirement years



Source: Employee Benefit Research Institute, 2023

October 2023

College Forecast: Skepticism Toward Higher Education Rises

A notable shift in public opinion over the past decade about the value of a college degree may portend a reckoning for the higher education industry in the years ahead — and for the families who are trying to save for and manage the costs. A 2023 survey found disaffection spreading to all age groups, with 56% of Americans saying a four-year college degree isn't worth the cost due to students graduating with significant debt and a lack of specific job skills vs. 42% who think college is worth it.[1] Ten years ago, the survey numbers were almost reversed.

Lower College Enrollment

Public misgivings about college intensified during the pandemic, when academic instruction moved online and families began questioning sky-high tuition costs. This translated into lower enrollment, which continued post-pandemic. For the 2022–2023 school year, the college enrollment rate was 62%, down from 66.2% in 2019–2020. Over the past decade, college enrollment has declined by about 15%.[2]

There are other factors at play besides public skepticism. A robust job market for less-educated workers has made it easier for high school graduates to justify skipping college and head straight into the labor market. At the same time, alternative forms of job training, such as apprenticeships and certificate programs, have become more prevalent and are increasingly seen as viable educational paths toward landing a good job.

Cost: The Elephant in the Room

A big reason Americans are souring on college is the cost. For the 2022–2023 school year (most recent data available), the average one-year cost for tuition, fees, room, and board was $23,250 for in-state students at a four-year public college, $40,550 for out-of-state students, and $53,430 at a four-year private college.[3] But many schools, especially "elite" private colleges, cost substantially more, with some over the $80,000 mark.[4]

Even with a discount on the sticker price, the total cost over four years is too much for many families to absorb. One result of high sticker prices in recent years has been a surge of interest in public colleges, particularly state flagship universities, many of which offer robust academic and student life opportunities comparable to their private counterparts.

Another factor in the college value proposition is time. Four years (or longer if a student changes majors or doesn't have enough credits to graduate) is a significant investment of time when compared to a one- or two-year certificate or apprenticeship program. Some students are balking at the traditional time commitment of college and the lost opportunity cost of not entering the job market sooner.[5]

Federal Student Loan Interest Rates

	2022–2023	2023–2024
Direct Loan: Undergraduate	4.99%	5.50%
Direct Loan: Graduate	6.54%	7.05%
PLUS Loan: Parent and Graduate	7.54%	8.05%

Source: U.S. Department of Education, 2023

The Burden of Student Loans

Many students need to take out federal, and sometimes private, loans to cover college expenses. Interest rates on federal student loans are based on the rate for the 10-year U.S. Treasury note and reset each year. For the 2023–2024 school year, they have increased again and are now the highest in a decade.

The burden of student loan debt was bubbling in the public consciousness for years but boiled over during the pandemic. Nine payment pauses since March 2020 halted repayment, and widespread calls to cancel student debt led to an executive order in August 2022 cancelling up to $10,000 in federal student loans ($20,000 for Pell Grant recipients) for borrowers with incomes below certain limits, an order that was struck down in June 2023 by the U.S. Supreme Court.[6] Also in June, as part of the debt ceiling agreement, Congress ordered an end to the payment pause, and the Department of Education later clarified that payments would start back up in October — a sobering reality for millions of borrowers after three-and-a-half years of payment pauses.[7]

To help those who may be in financial distress, a new income-driven repayment plan — Saving on a Valuable Education (SAVE) — will allow borrowers to cap their monthly student loan payments at 5% of their discretionary income. It replaces the Revised Pay as You Earn (REPAYE) plan, which capped monthly payments at 10% of discretionary income.[8]

1) *The Wall Street Journal,* May 31, 2023 (numbers do not add up to 100% due to rounding)

2, 5) *The Wall Street Journal,* May 29, 2023

3) The College Board, 2022

4) Harvard University, 2023; Stanford University, 2023

6) *The New York Times,* June 30, 2023

7) Fiscal Responsibility Act of 2023; U.S. Department of Education, 2023

8) U.S. Department of Education, 2023

HDHP/HSA Pairing May Help Control Medical Costs

If your employer offers health insurance benefits, one of your options may be a high-deductible health plan (HDHP) with eligibility for a health savings account (HSA). These plans offer potential savings by encouraging you to make cost-effective choices in your medical spending. If you do not have employer-sponsored health coverage, you can choose from a variety of individual HDHPs, including plans through state or federal health insurance exchanges.

Lower Premiums, Higher Deductibles

Premiums for HDHP coverage are generally lower than for traditional preferred provider organization (PPO) coverage. In exchange, you pay a larger annual deductible before the plan begins to cover a percentage of expenses.

Certain types of preventive care, such as annual physicals, health screenings, and selected medications, may be covered without a deductible (in some cases, provided at no cost). HDHPs can also offer telehealth and other remote health-care services without a deductible through 2024. Regardless of the deductible, the costs for medical services may be reduced through the insurer's negotiated rate.

To protect consumers from catastrophic expenses, most health insurance plans have an annual out-of-pocket maximum above which the insurer pays all medical expenses. HDHP maximums are generally higher than those of traditional plans. But if you reach the annual maximum, your total cost for that year would typically be lower for an HDHP, with the up-front savings on premiums. If you have low medical costs, the lower premiums also will generally make an HDHP more cost-effective. For other scenarios, the cost-effectiveness of an HDHP may vary with your situation. Although an HDHP might save money over the course of a year, some consumers could be hesitant to obtain appropriate care because of the higher out-of-pocket expense at the time of service.

Triple Tax Advantage

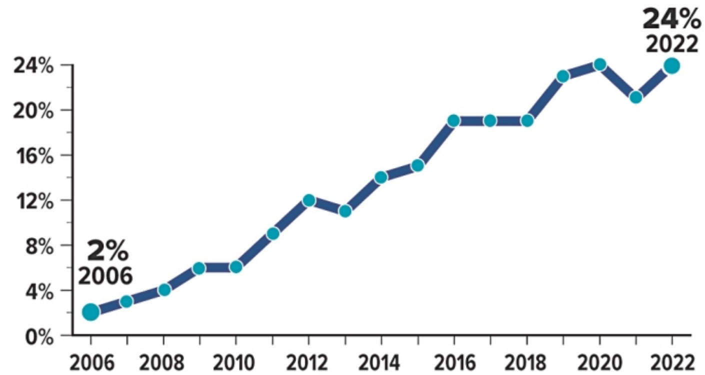
You must be enrolled in an HDHP to establish and contribute to an HSA, which allows investments within the account and offers three powerful tax advantages: (1) contributions are deducted from your adjusted gross income, (2) investment earnings compound tax-free inside the HSA, and (3) withdrawals are tax-free if the money is spent on qualified medical expenses (including dental and vision expenses). Some states do not follow federal tax rules on HSAs.

HSA contributions are typically made through payroll deductions, but in most cases, they can also be made directly to the HSA provider. In 2023, contribution limits are $3,850 for an individual and $7,750 for a family ($4,150/$8,300 in 2024), plus an additional $1,000 if the account holder is age 55 or older.

Although 2023 payroll contributions must be made by December 31, you can make direct contributions for 2023 up to the April 2024 tax deadline. Some employers contribute to an employee's HSA, and any employer contributions would be considered in the annual contribution limit.

Growing Trend

Percentage of covered workers enrolled in an HSA-eligible high-deductible health plan



Source: Kaiser Family Foundation, 2022

Saving for the Long Run

Many people use HSAs to pay health-care expenses as they go, but there are advantages to paying from other funds and allowing the HSA to accumulate and pursue tax-deferred growth over time. Assets in an HSA belong to the contributor, so they can be retained in the account or rolled over to a new HSA if you change employers or retire. Unspent HSA balances can be used to help meet health-care needs in future years whether or not you are enrolled in an HDHP; however, you must be enrolled in an HDHP to contribute to an HSA.

Although HSA funds cannot be used to pay regular health insurance premiums, they can be used to pay Medicare premiums and long-term care costs, which could make an HSA an excellent vehicle to help fund retirement expenses. After you enroll in Medicare, you can no longer contribute to an HSA (because Medicare is not an HDHP), but you can continue to use the HSA funds tax-free for qualified expenses. After age 65, you can withdraw HSA funds for any purpose without paying the 20% penalty that typically applies to those under age 65, but you would pay ordinary income taxes, similar to a withdrawal from a traditional IRA.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

How to Kill Your Zombie Subscriptions

In a 2022 survey, consumers were first asked to quickly estimate how much they spend on subscription services each month, then a while later, they were directed to break down and itemize their monthly payments. On average, the consumers' actual spending was $219 per month, about 2.5 times as much as the $86 they originally guessed.[1]

Zombie subscriptions are auto-renewing services that people sign up for then forget about or rarely use. Some common examples include mobile phone and internet plans, television, music, and game streaming services, news subscriptions, meal delivery, language courses, and health/fitness memberships (digital and in person).

New types of services are rolling out every day, which is just one reason why subscription costs can creep up on you. But with inflation cutting into your purchasing power, getting rid of a few unnecessary recurring charges could help balance your household budget.

Conduct an audit. Some subscriptions are billed annually, so you may need to scrutinize a full year's worth of credit card statements. Plus, if you purchased a subscription through an app store on your smartphone, the name of the service won't be specified. So when you notice a recurring charge that you can't identify, try looking for a list of subscriptions in your device's settings.

Share of consumers who forgot about subscriptions but still paid for them, by age group

Source: C+R Research, 2022

Use an app. One in 10 consumers said they rely on banking and personal finance apps to track their spending on subscription services. There are several popular services that can be used to scan account statements for recurring costs and remind you to cancel unwanted subscriptions before they renew automatically — if you are comfortable sharing your financial information.

Some companies make it difficult to cancel unwanted subscriptions by requiring a call, hiding the phone number, and/or forcing customers to wait to speak to a representative. If you find this practice frustrating, help may be on the way. The Federal Trade Commission has proposed a new rule that requires companies to make it just as easy to cancel a subscription as it is to sign up.

1) C+R Research, 2022

IMPORTANT DISCLOSURES