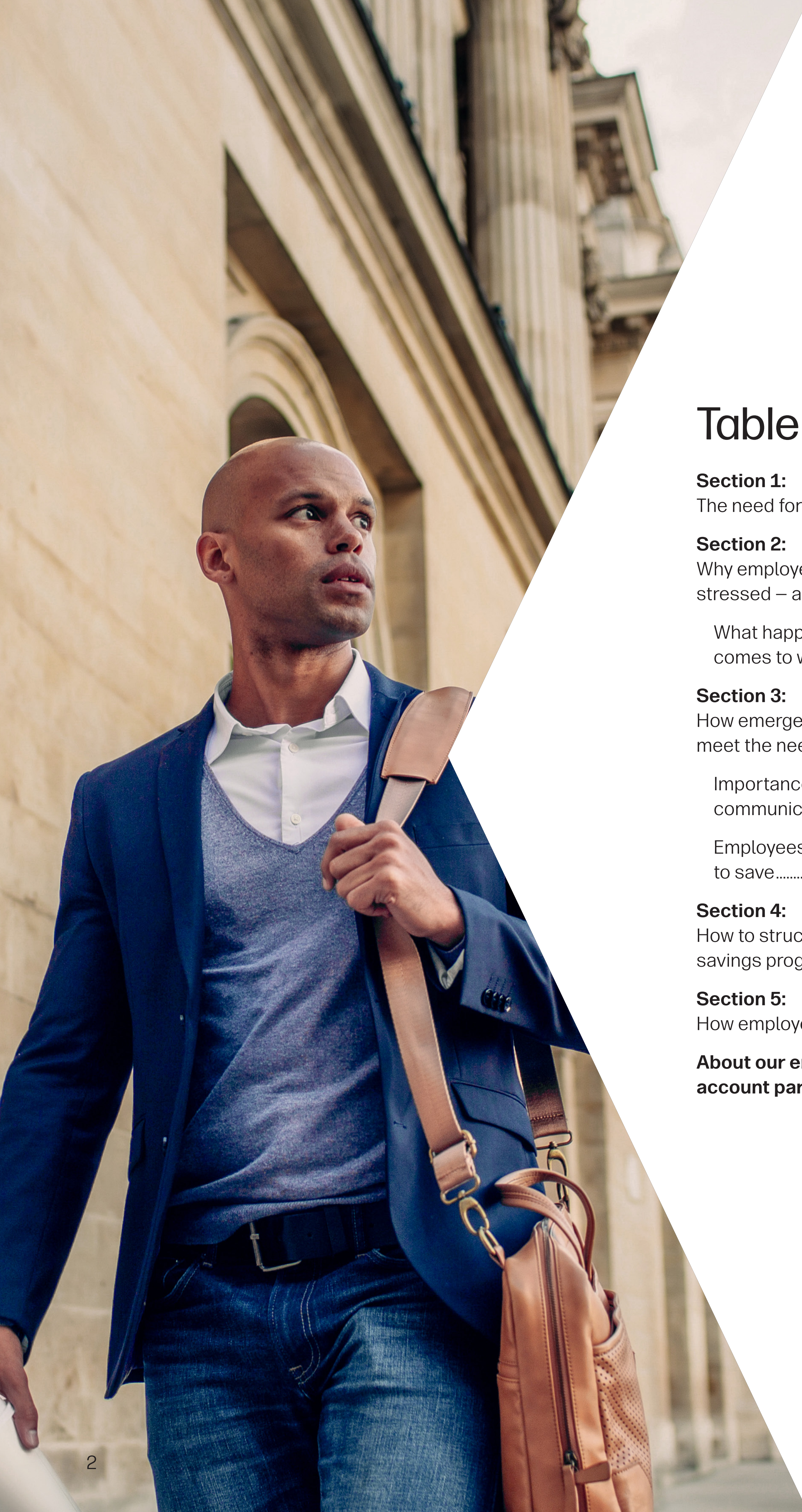
08/25

Transamerica

Emergency savings accounts

Enhancing retirement savings with a new employee benefit



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The importance of creating an emergency savings fund has never been more apparent. In early 2025, 59% of Americans could not cover a $1,000 emergency expense from their savings.[1]

The good news: Employers are in a unique position to help with a workplace emergency savings account (ESA). In this paper, we'll discuss the need for a workplace ESA and what an effective program should include.

Section 1: The need for a savings solution

The 59% of Americans who are unable to pay for a $1,000 emergency may have little choice other than turning to credit, family, or their retirement plan to meet the expense. Each of these options has a downside:

- Credit is expensive and becomes more so during inflationary and rising-interest-rate environments. Borrowing for emergencies may push employees further from an adequately funded retirement, creating even greater problems in the years to come.
- Using the retirement plan as a source of cash limits its potential growth by depleting the amount available to benefit from compound interest – a significant aspect of structured investing. When the money comes from a pretax account, the withdrawal may also add to the employee's tax burden. Perhaps most troubling, an employee who withdraws money early could delay their retirement.
- Borrowing from relatives? That's a discussion for another time.

With a total estimated median retirement savings of $65,000 among people in the workforce,[2] anything that keeps Americans from contributing to their employer plan – or worse, takes away money they have already saved – is detrimental to retirement.

On the other hand, retirement preparedness may improve when employees have another source of emergency cash. SecureSave reported that workers who participate in a workplace emergency savings program are 50% less likely to withdraw from their retirement account to pay an emergency expense. They are also two times more likely to increase their retirement account contributions.[3]

Thanks to provisions in the **SECURE 2.0 Act**, individual account plans, such as 401(k)s, can link to an emergency savings account. This validates the importance of an ESA when preparing for retirement and increases the likelihood employers will begin offering one as a core employee benefit going forward.

Transamerica has an ESA solution that will provide employees flexibility over their funds while requiring minimal administrative work for employers. To learn more about how the "out-of-plan" solution differs from the "in-plan" ESA under SECURE 2.0, talk to your Transamerica representative.

Section 2: Why employees are financially stressed – and how employers feel it

Employees are feeling financial stress. In their May 2025 financial stress survey, SecureSave found that 71% of American workers are experiencing moderate to extreme stress about their personal financial situation. Additionally, 46% have skipped necessary expenses in the past six months because they didn't have sufficient emergency savings.[4]

Many reasons people may need extra cash include:

- Medical emergencies
- Auto repairs
- Job loss
- Home repairs
- Unexpected move or life change
- Funeral expenses

71%

of American workers feel moderate to extreme stress about their finances.[4]

Where do they turn to pay these unexpected expenses when there isn't enough in their savings account? Many workers tap into their retirement plan. In fact, more than one-third (34%) of workers have taken money out of their 401(k) or similar retirement accounts through loans, hardship withdrawals, and/or early withdrawals. Of those who took a loan from the plan, 31% said it was due to a financial emergency. Of those taking a hardship withdrawal, often-cited reasons include paying for medical expenses and other financial shocks.[2]

What happens at home often comes to work

The effects of financial stress don't stop when employees arrive at the workplace. According to the SecureSave survey, 40% of workers say financial stress has caused them to miss work. This financial-related absenteeism costs an average $685 a year per hourly employee. Additionally, the No. 1 financial concern affecting employee productivity is insufficient emergency savings, which negatively affects employees' ability to pay for unexpected financial emergencies.[4]

An ESA can help by providing another way for employees to save for emergencies. When offered as an employee benefit, an effective program may reduce absenteeism, improve employee loyalty, enable better mental health, and protect the retirement plan's assets.

Section 3: How emergency savings programs meet the need

An effective ESA can help people pay an unexpected expense without borrowing or raiding their retirement savings. Knowing the money is available to meet surprise expenses can reduce financial stress and improve productivity, saving time and money for the employer. It can also give people confidence to make important decisions. They feel more relaxed knowing they can afford to make that car or home repair *now*, instead of later when delays may increase costs.

When offered as an employee benefit, an ESA may reduce turnover and serve to attract new employees – important in times of intense competition. Employees who are financially stressed may look for a better job elsewhere and the resulting turnover can be expensive. Along with the cost of recruiting replacement staff, it may result in lost productivity, missed deadlines, and even dissatisfaction among remaining employees, leading to further turnover.

The effects of financial stress on employees are also felt by employers. U.S. employers lose an average

$685

per hourly employee annually.[4]

Importance of data and communication

People who know there is money available for emergencies may feel better equipped to tackle their financial well-being in other ways. For example, they may decide to use some of their emergency savings to purchase additional coverages – such as life or accident insurance – to further enhance their financial security.

Perhaps more important, feeling in control of their financial well-being may motivate employees to start, continue, or even increase contributions to their workplace retirement plan.

To help employees make the leap from emergency savings to further protecting their financial well-being, employers should examine their ESA data, including contributions, savings rates, and withdrawals. Doing so makes communicating with employees about other financial wellness opportunities more effective.

Employees want a new way to save

Employees say they want an ESA as a workplace benefit. In fact, 95% of workers participating in the SecureSave survey said a $200-a-year, employer-sponsored ESA would positively increase their likelihood of staying at their current job.[4] Additionally, 92% of American workers say a $200 employer contribution to an ESA would help them work more (if salaried) or reduce work-related stress (if salaried). This could help offset the average annual $685 absenteeism cost per hourly employee.[4]

An employer that responds by adding an ESA to its employee benefits may thus inspire greater loyalty.

92%

say a $200 employer ESA contribution would help them work more and experience less work-related stress.[4]

Section 4: How to structure an emergency savings program

When creating an ESA, several key elements to consider include:

- **Easy enrollment:** Whether through an app or website, it should be fast and easy for an employee to sign up and start saving.
- **Automatic payroll deduction:** Money directed via payroll into an ESA tends to stay there until it is used for its intended purpose. On the other hand, relying on ourselves to save money we already have in hand is less certain.
- **Employer contributions:** Even small contributions can motivate employees to save. When employers "seed" the fund with small, regular matching contributions, savings accumulate faster, encouraging employees to continue. Even after the matching period ends, employees may have adjusted their budget to allow their contributions to continue.
- **Ability to contribute a flat amount per paycheck:** Some employees are more comfortable directing a flat amount than a percentage of pay to the account. Having that ability could encourage them to save when they might not otherwise.
- **Quick, easy withdrawals:** Taking a withdrawal when there is a need should not be difficult or time-consuming.
- **Flexible timing:** An ESA can be implemented any time of year, not just at open enrollment, so providing information to all employees throughout the year can be helpful.
- **After-tax contributions:** When employees use after-tax dollars to save, there is no need to worry about complexities of the Employee Retirement Income Security Act of 1974 (ERISA).
- **No fees or penalties:** Employees can make withdrawals from their ESA any time without paying fees or penalties.

Section 5: How employers can take action

It's important to find the right vendor to help you with an ESA. Look for one that has a track record of success and key features your employees value. For example, make sure the tools offered to enroll and participate are easy and intuitive. Reporting should be clear and detailed, helping the employer understand how employees are using the ESA. Using data-driven insights, employers can make changes to their benefit offerings and target communications to encourage further financial wellness activities.

About our ESA partner

SecureSave

SecureSave allows employees to easily set aside after-tax money into an ESA through its purpose-built application – accessible by mobile or desktop. SecureSave empowers employees to automatically save right from their paycheck into an FDIC-insured account with matching employer incentives – at no cost to them. Employers pay a nominal, per-employee fee.

- 60% of employees sign up and put money into their SecureSave ESA when offered[3]
- 87% of funds stay within SecureSave and employees' average savings after the first year is nearly $1,000[3]
- Over 87% of users keep saving after they withdraw from their ESA[3]

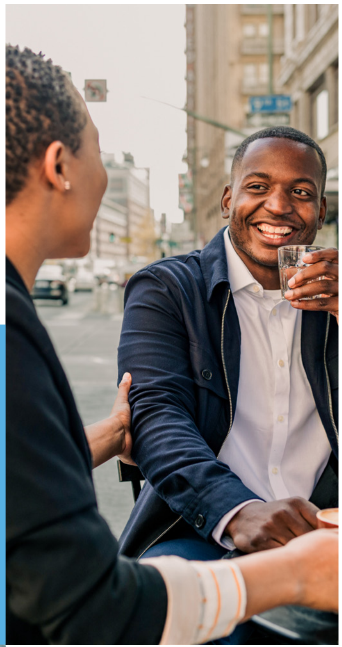
It's easy for employers to manage the SecureSave ESA program, and since they control the deployment timeline, many deployments happen within a few weeks. SecureSave is solely focused on emergency savings and provides monthly reporting that proves how they drive savings behavior and form savings habits for employees.

Scan to visit the SecureSave website

About Transamerica

With 90 years of experience helping everyday Americans prepare for retirement, Transamerica is one of the most recognized, trusted names in financial services. Our integrated approach provides employers and their advisors with a variety of programs to help employees live their best lives – now and in retirement.

Contact your Transamerica representative for more information.



Get in touch:

Call **888-401-5826**

Visit **transamerica.com**

1 "Bankrate's 2025 Annual Emergency Savings Report," March 2025

2 "Retirement in the USA: The Outlook of the Workforce," nonprofit Transamerica Center for Retirement Studies® (TCRS), March 2025. Transamerica Institute®, including TCRS, is a nonprofit, private operating foundation.

3 "SecureSave By The Numbers," 2025

4 "Financial stress, emergency savings and the impact on American workers," May 5, 2025

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