

Fidelity Financial Wellness Score Methodology

Q&A

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Fidelity
Workplace
Investing

1. What does the Financial Wellness Score assess?

Fidelity's Financial Wellness Score assesses certain quantitative and qualitative indicators of a person's financial situation in four key areas:

- Budgeting
- Debt
- Savings
- Financial Protection

These four areas were selected for their contribution to overall financial wellness. Budgeting deals with day to day financial stability. Debt utilisation and savings are contributing factors to one's financial wellness. Last, but not least, financial protection seeks to provide a safety net through the use of a savings cushion and insurance.

2. How does the score work?

The score ranges from 1 to 25, where 1 represents financial distress and 25 indicates a maximum level of financial wellness for each of the four areas.

The assessment considers both quantitative financial behaviour measures (factual statements) which is weighted at 70% and qualitative measures (self-appraisal of one's situation) which is weighted at 30%.

3. How is the user's demographic information used?

The demographic section gathers personal information to enable the financial wellness assessment and provide the user with relevant hints and tips for their personal circumstances. This section is not used in the production of the score.

4. How does the 'budget' component of the score work?

The budget score section focuses on the household's day-to-day cash flow and short-term saving goals. On the qualitative side, we ask for the respondent's self-assessment of spending, and their overall feeling of the budgeting situation of the household. On the quantitative side, we collect their monthly spending amount, and monthly debt amount. There are three major questions that are used to derive this value:

1. How does the user feel about their finances? (max: 5 points)
2. Does the user regularly outspend their input income? (max: 5 points)
3. What is the user's budget-to-income ratio? (max: 15 points)

5. How does the 'debt' component of the score work?

The maximum score for this component is 25 points and there are 5 components that are evaluated to derive this value:

1. How does the user feel about their debt? (max: 5 points)
2. What kind of debt do they have? (max: 5 points)
3. What is their payment frequency? (max: 5 points)
4. What is their debt to income ratio? (max: 5 points)
5. Have they had a court judgement or declared bankruptcy in the last 6 years? (max: 5 points)

The debt score section collects information on the household's debt situation. On the qualitative side, the survey asks for the respondent's feeling of the overall debt situation of the household. On the quantitative side, questions are asked about what kind of debt the household currently has, including but not limited to credit card debt, student loans and payday loans. We ask if they completely pay off everything owed on credit cards. We also ask if the respondent has defaulted on debt, declared bankruptcy or had a County Court Judgement (CCJ) in the past 6 years.

6. How does the 'savings' component of the score work?

The maximum score for this component is 25 points and there are four major questions that are used to derive this value:

1. How does the user feel about their savings (max: 5 points)
2. Short-term goal confidence (max: 5 points)
3. X-Factor (max: 10 points if a customer has DB, otherwise 15 points)
4. Defined Benefits (max: 5 points)

The savings score section focuses on various aspects on savings, including savings for retirement. On the qualitative side, we ask a respondent's overall feeling about their savings situation, as well as confidence in saving goals, if applicable. On the quantitative side, we ask questions about retirement savings, current accumulated balance, expected lifestyle in retirement, participation in a defined benefit plan and retirement age. With this information, we estimate the current retirement savings multiples the respondent has and compare against the estimated retirement savings milestones (expressed as a multiple of pre-retirement income), created from the [Fidelity Global Retirement Savings Guidelines](#). The maximum score for this component is 25 points and there are 5 components that are evaluated to derive this value:

7. How does the 'protection' component of the score work?

The maximum score for this component is 25 points and there are four major questions that are used to derive this value:

1. How does the user feel about readiness for unexpected situations (max: 5 points)
2. Do they plan ahead? (max: 5 points)
3. Do they have an emergency fund? (max: 10 points)
4. Do they have insurance/protections? (max: 5 points)

The protection score section focuses on actions that the household could take to insure itself and provide a cushion, or safety net, to weather financial shocks. On the qualitative side, we ask for how far ahead the household plans for its finances, as well as the overall feeling on protection and insurance. On the quantitative side, we assess whether the household has saved for emergency or unexpected expenses, like job loss or unexpected health issues that might affect their income.

8. How will the results of the score be displayed?

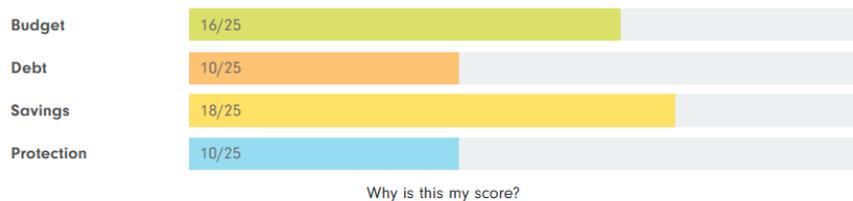
The results will be displayed as per the below image.

The user will also be able to download their results as a PDF document which can be saved/printed. This will also have some personalised suggestions/hints and tips for how they can improve their financial wellness position and will also highlight the key areas where they are doing well and should continue with their good habits.

Your financial picture, [User]



Nice work! You've taken the first step to improve your financial wellness.



This information is not a personal recommendation for any particular investment or action. If you are unsure about the suitability of an investment you should speak to an authorised financial adviser. You should regularly reassess the suitability of your investments, including your pension savings, to ensure they continue to meet your attitude to risk and investment goals.

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