



FINANCIAL WELLNESS

Mexico Report 2022

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 **Amedirh**

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What is Financial Wellness?

"Progress towards our financial goals with a clear plan to reach them while enjoying the process with confidence."

Financial Wellness is a state of mind, an emotion, where we have certainty that the financial decisions we are taking are the right ones and thus, let us reach our dreams and goals.

No matter the size of our wealth, the lack of planning could lead us to financial stress situations because it is not the money that gives us security and confidence, it is how we manage it.

We know that we find ourselves with financial wellness if we meet certain aspects of the following pillars:

Financial Wellness Pillars



Awareness

I know where I am

I have clarity of my current financial situation.



Optimize

I optimize my money

The wealth that I have achieved grows efficiently over time.



Planning

I know where I want to go

I have defined goals and I know which actions I must take to reach them.



Protection

I am protected against an eventuality

If an unforeseen event arises, I can face it financially.



Control

I know how to manage myself correctly

I have adequate control of my resources that allows me to create wealth.



Enjoy

I enjoy the process

I am peaceful with the decisions I make and my finances do not cause me stress.

Introduction

In recent years, Invested has taken the task of improving the financial wellness in Mexico, working with leading companies and interacting with thousands of employees. We have realized the lack of financial wellness is significant and has a negative impact on the life of families, the efficient functioning of companies and the country itself.

This is why we partnered with different leading institutions concerned about this issue such as Vanguard, Aon and Amedirh, jointly publishing the Financial Wellness Report for Mexico.

We collected and analyzed the data of employees from numerous companies and sectors, highlighting key insights such as: only 59.7% have full knowledge of their monthly income, only 48.7% have clear knowledge of how they spend it and 18.9% allocate more than 50% of their monthly income to pay debts, meaning they live over-indebted.

To deal with an emergency, only 15.4% of people have an emergency fund equivalent to 6 or more months of expenses, which means that 84.6% are not properly protected against any eventuality, and it is worrying that 28.1 % do not have any reserves, situation that puts their financial stability at risk.

Regarding retirement, we found that only 26.3% are currently saving and understand how much they need to retire, while 31.7% have not saved anything for that lifestage.

We also found that employees spend an average of nearly 15 hours per month worrying about financial issues during working hours. In fact money is the top worry, being a concern for more than half of respondents (53.7%) compared to less than one third who are concerned about Health (32.7%).

That is why we look forward bringing this issue to the table, identifying the problem, quantifying it and enabling immediate action. We know this is an ambitious goal, but the improvement of these indicators will drive rewards that impact our people, families and society, which is why the continuity of this initiative is essential to ensure its success.

We invite those who have not yet participated, public and private sector companies, associations and individuals to participate in the report on the website www.bienestarfinanciero.mx in order to generate a greater impact in these joint efforts to improve the people's Financial Wellness.

"It's not the amount of money that gives us security and confidence, it's the way we manage it."



Christian Hauswaldt
CEO Invested

Employees' Financial Wellness and its impact on the organization

What impact does the employees' financial wellness have on the company?



Productivity increases



Better work environment and employee engagement



Lower staff turnover



Greater knowledge and use of benefits



Social responsibility

We took on the task of gathering data from employees in Mexico, identifying the status of their current financial situation in order to take action.



Methodology

Financial Wellness Test

The data collected for this study was achieved with the help of an online wellness test designed by Invested, which was distributed by the strategic areas of Human Resources of companies in Mexico, obtaining a sample of more than 1,500 people.

This test provided the participant with a comprehensive analysis of their financial situation in order to identify where they are in different aspects of life such as: savings, debt management, goal planning, preparation for retirement, asset protection and optimization.

Each participant received a personalized summary with a financial wellness score and a series of recommendations that they can implement to improve their financial indicators.

The results of this report will help us understand more precisely the relation of the participants with their finances and to identify the role of employers and service providers in this matter so we can address and improve the current situation.

Overview

Sample size

1,555 people

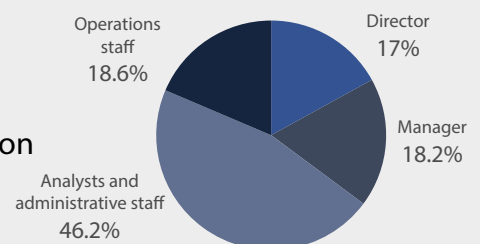
Distribution by gender

59.3%  **40.7%** 

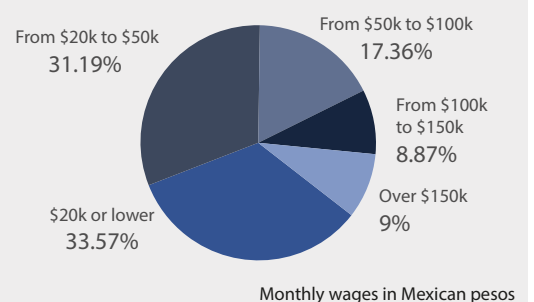
Average age of the participants

 **37 years**

Occupation



Wages



Executive Summary

Overall Score

53.76%



Monthly hours
worried about
financial issues



14:51 hrs

What issues concern them the
most from month to month

Money
related

53.76%

Job
related

45.66%

Health
related

32.73%

Other

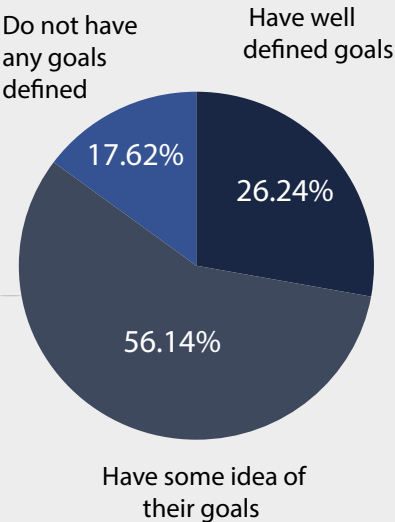
17.56%

*Percentages don't add up to 100%. Respondants could select +1 option.

Only **59.74%** have
full knowledge of
their monthly
income.

51.25% do not
know how they
spend their money.

Financial Goals



Debt

What percentage of your
monthly income do you spend
on paying debts*?

Debt
Free

13.38%

Less than
20%

26.50%

From 20%
to 50%

41.16%

Over
50%

18.97%

*Includes mortgage

Retirement

Are you saving for your retirement?

41.93%

Yes, but not sure how
much

31.70%

Do not save anything

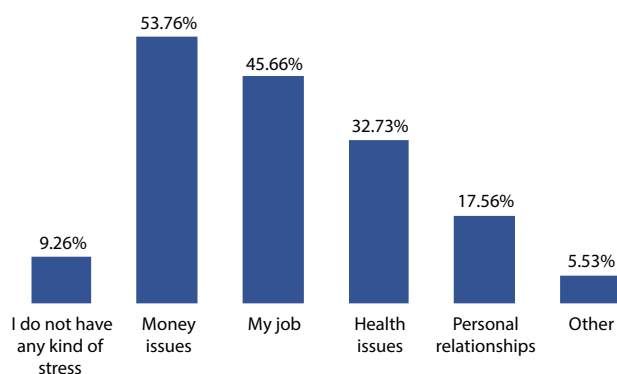
26.37%

Yes, and know how much

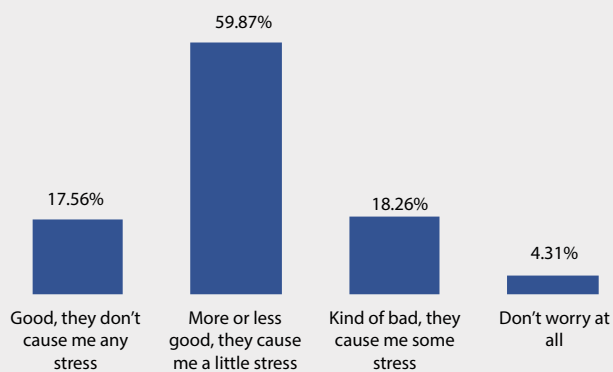
Financial Stress

The stress that financial issues bring to our lives is evident and even more so in a context of the SARS-Cov-2 pandemic, where many people have seen some level of negative impact on their financial situation. These concerns affect our daily lives where we can see that more than 56% of people's financial stress has some impact on their activities. The time that people spend thinking about their finances is significant and it translates into entire days per year at work that they spend worrying about financial issues.

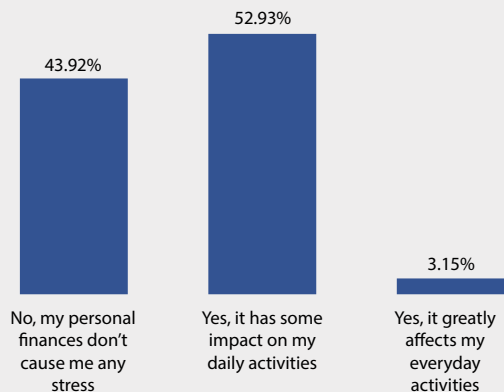
Which of these reasons causes you the most stress?



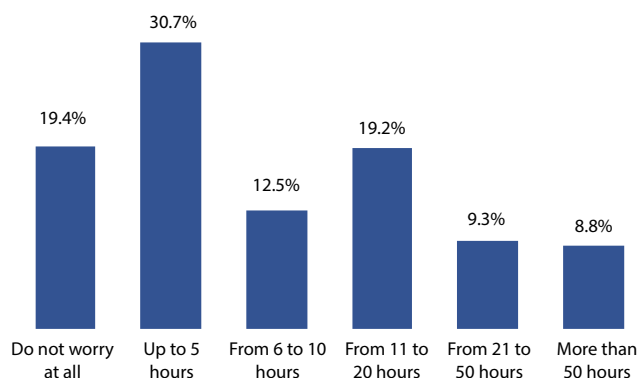
How do you feel about your personal finances?



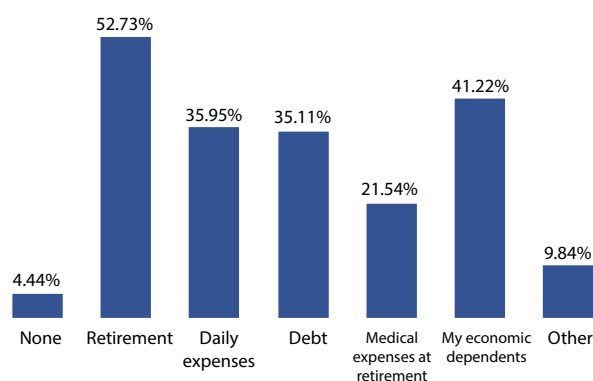
Do you consider that the stress caused by financial issues has any negative impact on the performance of your activities?



How many hours a week do you spend worrying about financial matters?



What are your main financial concerns?



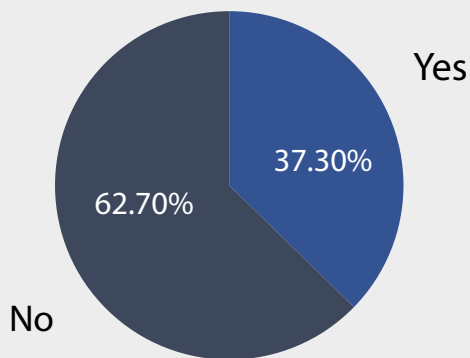
Clarity today

One of the pillars of financial wellness is being clear about where we are standing now, having full knowledge of our financial position. Regarding the wealth composition, we observe that only 37.30% are aware of how their assets are made up and 71.70% know the current amounts of the debts they have.

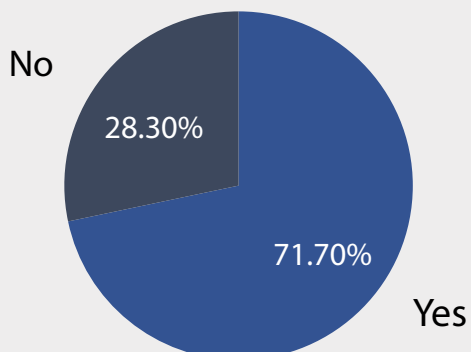
In the cash flow section we see that only 59.74% of people have full knowledge of their income, but more than 52% do not know how that income is spent on a monthly basis.

Wealth composition

Do I know the amount of my assets?

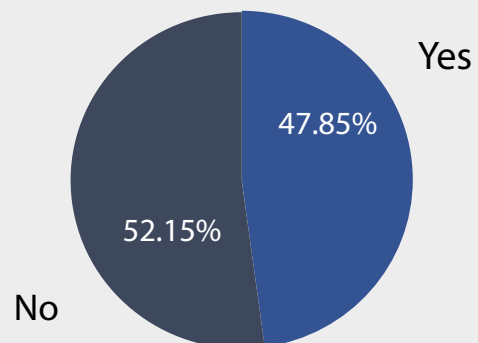


Do I know the amount of my liabilities?

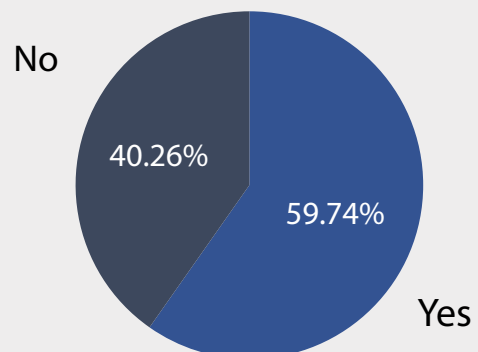


Cash Flow

Do you really know what your monthly expenses are?



Have you identified the total breakdown of your income?

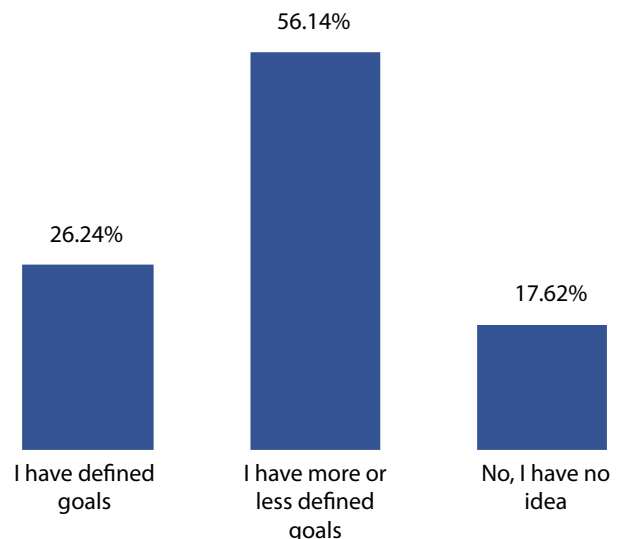


Clarity in financial goals

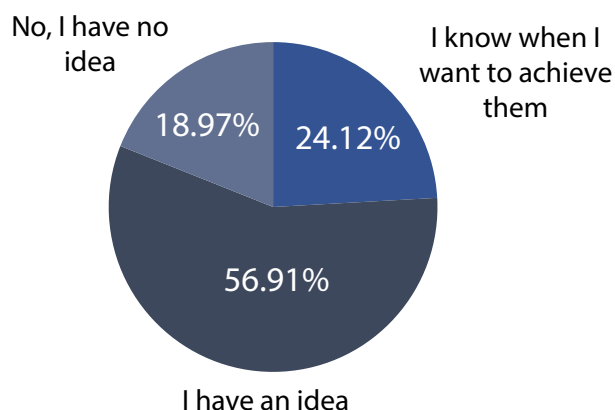
It is just as important to have clarity about where we stand today as it is to have well-defined financial goals. The lack of clarity in these objectives makes it difficult to know what actions we must take to achieve them and this could lead us to make some mistakes such as making poor investment decisions, not knowing which financial products and services we need or even how we can prioritize these actions to fulfill our needs.

The lack of clarity in the definition of our objectives can have a high opportunity cost, for example, a poor definition of the retirement objective can lead us to a situation of not saving early enough in a person's career, thereby foregoing the power of compound interest; To put this in context, if a person begins saving \$3,000 MXN monthly at the age of 30 until he is 65 years old, investing it at an annual rate of return of 10%, at the time of his retirement he would receive a total of \$11.39M MXN, where more than 88% is the product of the investment performance and just 12% from his savings.

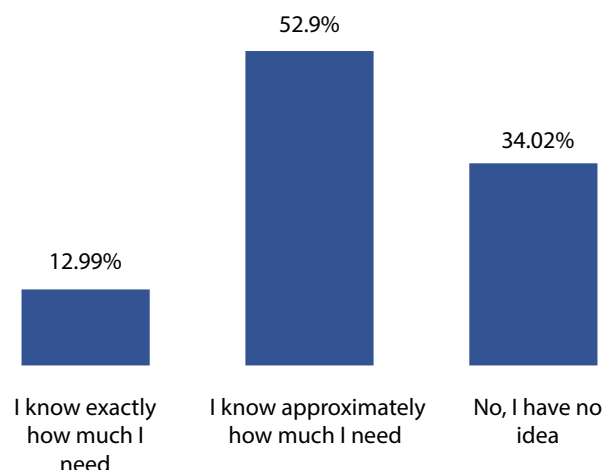
Do you have defined financial goals?



Do you know when you want to achieve these goals?



Do you know how much money you need to achieve these goals?



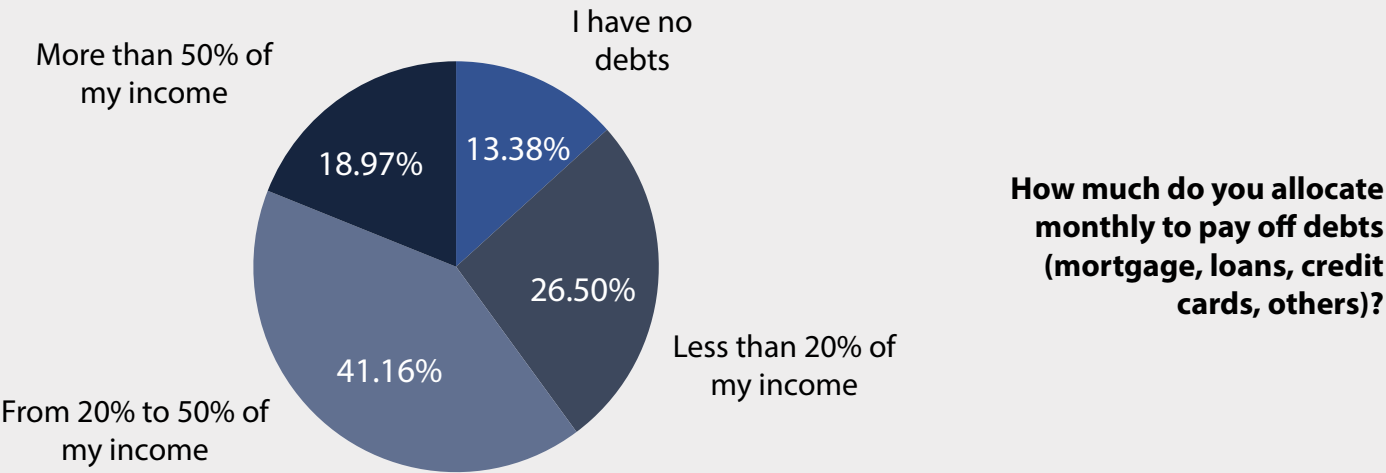
Debt

Inadequate debt management can lead us to a situation of wealth destruction and move us away from our financial goals, at the same time that it becomes a factor that generates stress, where 35.31% of people indicate their debts as one of their major financial concerns.

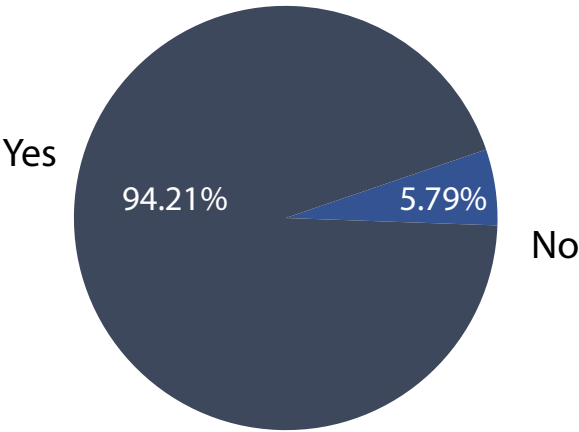
Allocating more than 20% of our income on paying debts can be a warning signal indicating poor control over them. We have found that more than 60% of people meet this condition:

41.16% allocate 20%-50% of their income and 18.97% allocate more than 50% of their income in paying debt.

These figures, together with the fact that 94.21% consider they have control of their debts, may indicate an overconfidence bias and represents a risk that for large percentage of people, if an eventuality arises it will likely destabilize their financial situation.



Do you think you have control over your debts?

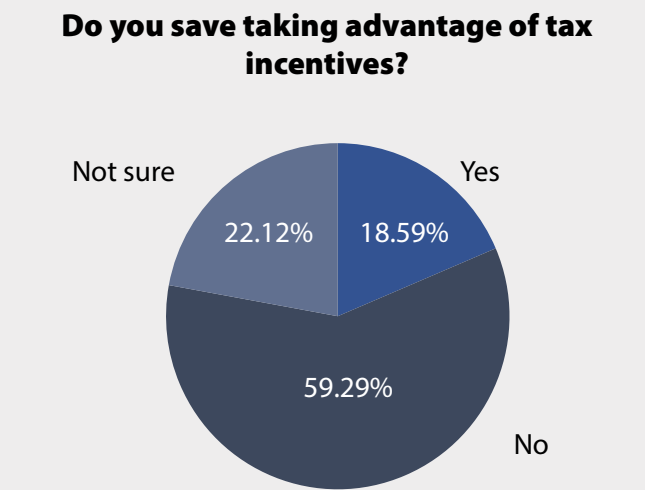
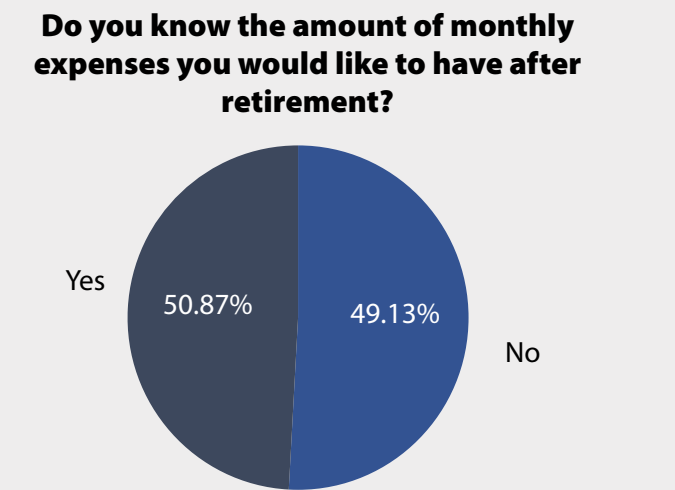
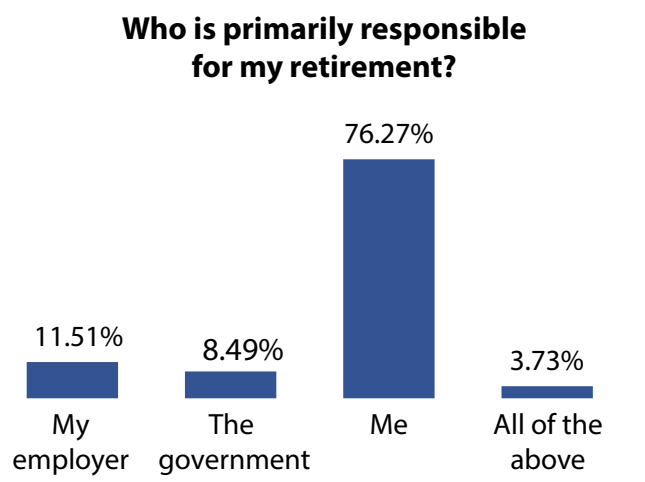
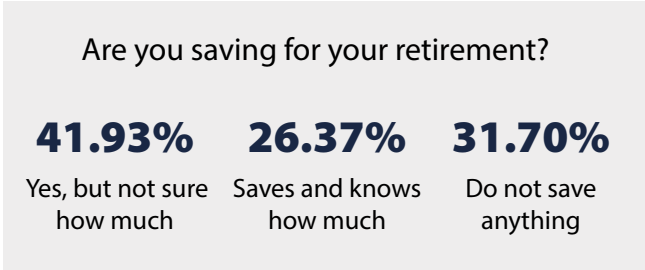


Retirement

Although more than 58% of people indicate that they are able to save on a monthly basis, only 26.37% are consistent in saving for their retirement and only 18.59% do so through products that grant them tax incentives.

The lack of clarity in their objectives can make it difficult to take action; this is reflected in the fact that 27% don't know at what age they want to retire and that only 50% know the monthly amount they want to live with.

As in the previous section, the results may indicate an overconfidence bias, since the average target retirement age of the 72% of people knowing it is 60.9 years, noticeably lower than the official retirement age in Mexico which is 65 years. This insight contradicts other findings of this survey like the percentage of people who do not save for retirement (31.70%), of those who are not clear about how much they save for retirement (41.93%) and of the few people who take advantage of tax incentives (18.58%).

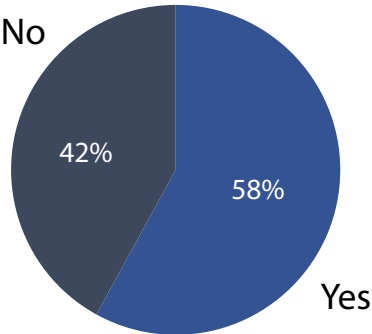


Savings & Emergencies

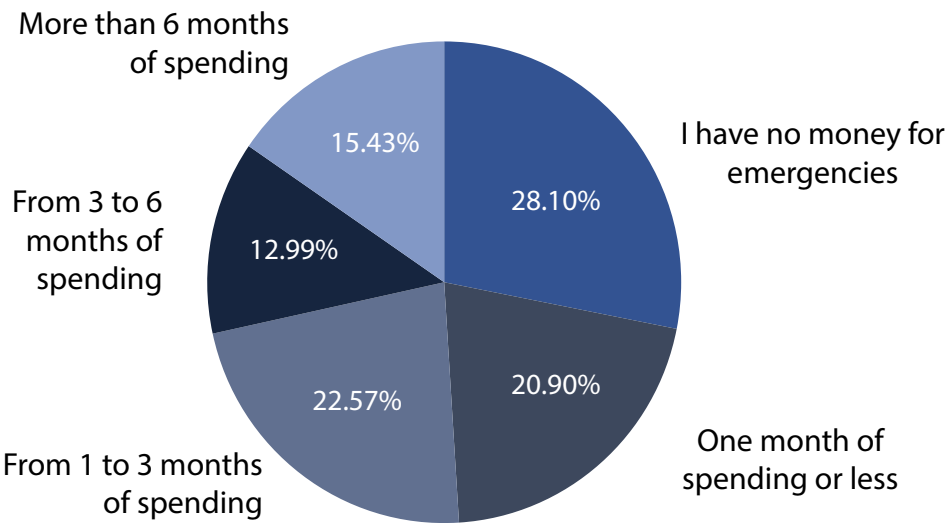
Saving is one of the engines of wealth growth and, in general, a determining factor in the achievement of our financial goals. The lack of savings can be the result of poor financial planning, where in this process of working towards our goals, prioritizing savings is one of the steps that we must take before considering other elements such as investing.

Within the different savings creation objectives that a person can have, we consider that the formation of an emergency fund should be a priority, as this will enable a person to know that if an unexpected event occurs, they will be able to face it without destabilizing their finances. The percentage of people who do not have an emergency fund or have an insufficient emergency fund is considerable: nearly 3 in 4 people do not have a fund large enough to cover 3 months of household expenses.

Do you save monthly?



How much money do you have set aside for an emergency (job loss, accident, etc.)?



Investments & Advisory

We know that money loses value over time, an illustration of this is the level of inflation of 7.36% that we observed in Mexico in 2021, the highest in the last 21 years. One of the solutions to avoid the impact of inflation in our purchasing power is investing. More than 63% of people who save (58.01% of people reported to be currently saving) don't have their money in an investment account; We identify this as a clear area of opportunity.

It will also be important to raise awareness about the importance of receiving proper professional advice to help us make the best decisions, since we observed that from the 27.78% of the people that receives advice, only 9.5% consider it useful.

The indicated situations where people seek advice are:

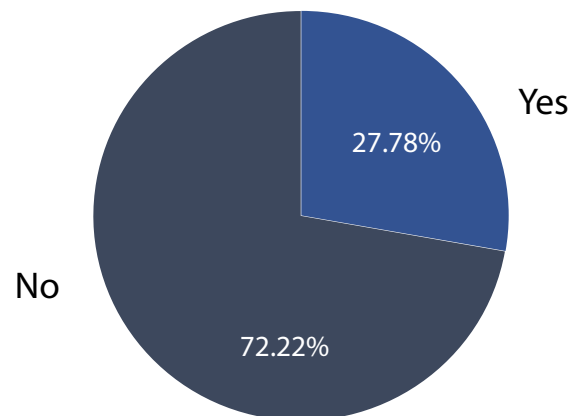
- **43.34%**
Making important decisions (buying a house, investing, etc.)
- **16.59%**
Changes in life stage (marriage, children, divorce, etc.)
- **25.59%**
When financial problems arise (debts , unexpected expenses, lack of money, etc.)
- **3.41%**
Other situations

We know the world of investing can seem overwhelming at first, but partners like Vanguard show us that by taking it one step at a time, our financial goals get closer.

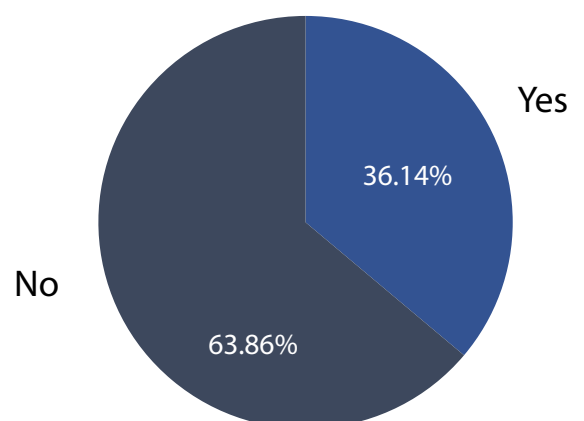
63%

of people who save don't have their money in an investment account.

Do you receive professional guidance regarding your investments?



Do you have your money in investment accounts?

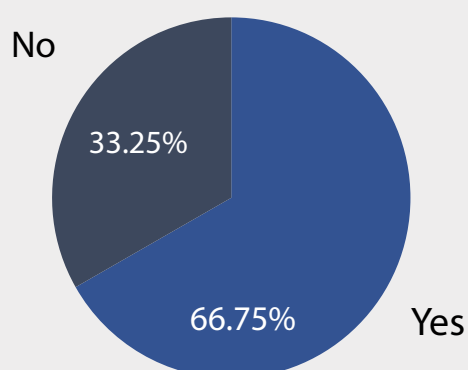


Protection

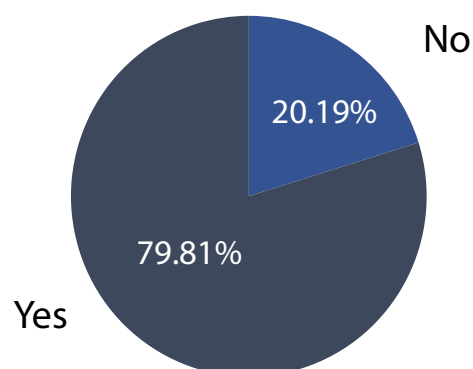
The pandemic scenario highlights the importance of being protected against any eventuality. We can get this protection with adequate insurance or with the security and size of our current wealth and finances.

It is important to mention that since the report is prepared with employee data, we observed some positive numbers such as the number of people who have medical insurance. In this context, we highlight the importance that the employee's benefits play in the Financial Wellness of people. For example, 66.75% of them have medical insurance and more than 25% have portability to be able to maintain their coverage.

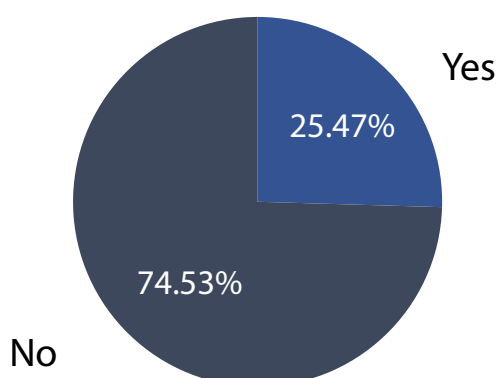
Do you have health insurance?



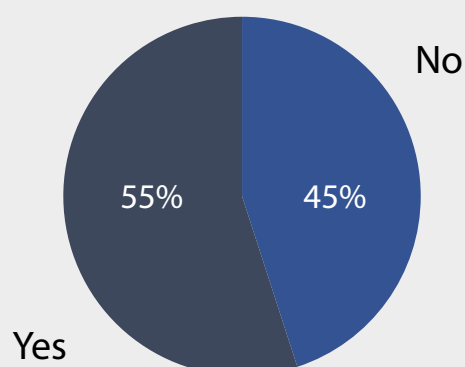
Do you know the characteristics of your health insurance policy such as the sum insured, deductible and coinsurance?



Do you have portability in your major medical expenses insurance?



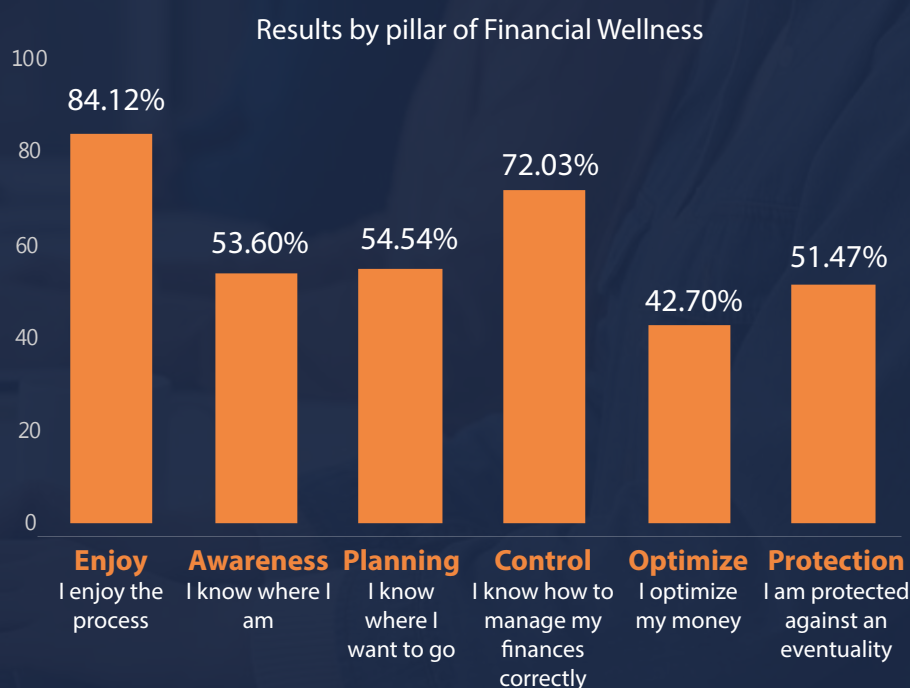
If you have financial dependents, do you have any life insurance?



Financial Wellness Score

We developed a Financial Wellness Score that shows many opportunity areas. We found that the fact of being able to enjoy the path through this process of achieving financial wellness, as well as having control and clarity of our current wealth, income and expenses, are two of the strongest pillars.

We are sure that the other indicators can improve through correct financial planning, since a better definition of the objectives to be pursued will give much more clarity in the necessary actions that must be followed to achieve it, and ultimately will increase the number of people taking action.



How to improve Financial Wellness

Much of the data found in this first Financial Wellness Report is alarming. As a result of a poor financial culture, we see a large number of people with the need to take immediate action: work on defining their goals, prioritize savings, anticipate emergencies, invest and work on their future.

Companies can play a very important role in the Financial Wellness of its employees by being a provider of different solutions that help people improve their finances; Employees are the most important asset for most companies, so implementing strategies for their financial wellness will increase productivity, enhance engagement and encourage their retention.

There are many companies that are increasingly implementing permanent Financial Wellness solutions as part of the benefits they grant to their employees, since they have understood that Financial Wellness is a process and not an event that can be solved with temporary programs.

These Financial Wellness programs help foster a strong culture within the company, where additional positive results could be obtained, such as an increase in the knowledge, adoption and use of other employee benefits that are aligned with the employee's needs.



Financial Wellness in your company

Holistic approach

When implementing these solutions in your company, you must ensure that the approach is holistic and that it meets these elements: education, tools and support.

Many of the decisions that are not made are due to ignorance. It is important that the educational vision of the Financial Wellness programs are broad and address different financial aspects of a person such as assets, budget, debts, objectives, savings, investments, retirement and benefits.

Integrated Financial Wellness solutions must be accompanied by different tools that reinforce the knowledge acquired and facilitate action. There are currently innovative educational programs that, through data analysis, can identify the current characteristics of a person so that each individual can travel a personalized path receiving content, training and solutions that are truly aligned with their needs.

In the financial products and services arena, great benefits are also obtained from those who implement technology in their solutions, for example through the automation of services such as savings and investment. One of the most recognized cases has been the impact of these solutions on the pension plans of various companies.

Through the automation of savings and investment and implementing effective communication, employees who have increased their contributions in pension plans expect a replacement rate of 95% compared to 84% for employees who took no action (replacement rate includes social security pension).

Finally, as we have already mentioned, Financial Wellness is a process and not an event, so the support and continuity of these solutions is essential. From monitoring progress in objectives or even promoting a more frequent and punctual follow up by key people in the company helps reinforce the taking of action with employees.

There are more and more companies with great added value in Integrated Financial Wellness solutions, which can help you with the diagnosis, execution and solution; companies with a genuine concern for the well-being of people and with a true intention to revolutionize the Financial Wellness scene in Mexico.



Where are we going?

In the creation of this first Financial Wellness Report, we have been fortunate to work hand in hand with the largest companies in Mexico concerned about this topic and different players in the financial industry with whom we pursue the same goal, such as Vanguard and Aon. We are sure that our continuous work in innovating the planning process and integrated financial solutions, along with education programs that leverage technology and behavioral analysis, will bring us closer to those 10 million families that we want to help achieve their Financial Wellness.

It is very important that these research efforts continue and thus be able to discover in greater detail the current level of Financial Wellness of people in Mexico, their main challenges and how, hand in hand with their companies, we could be able to provide solutions.

That is why we encourage you to participate in the next Invested Financial Wellness report. It will be very valuable for us to be able to help you identify the main concerns of your company's employees through our "Financial Wellness Test" tool, where we will give you a diagnosis and help you pursue the Wellness of your employees.

www.bienestarinanciero.mx

Acknowledgements

On behalf of the Invested team, together with our main allies Vanguard, Aon and AMEDIRH, we would like to thank all the companies that participated in our Financial Wellness Report, supporting this initiative that seeks to identify the financial situation of the employees, in order to generate solutions that improve their personal finances, and therefore their quality of life.

We highlight the participation of leading and pioneering companies such as Alfa and Albo, which continue to demonstrate that caring for the wellness of employees contributes to the growth of the person, company and country.

Together we can improve the financial wellness of more people, achieving success stories in more and more organizations, permeating improvements throughout the country.

www.bienestarfinanciero.mx



Meet the companies that make this report possible



Invested is the company allied with the main companies in Latin America to improve the Financial Wellness of its people.

Through their programs and a unique financial planning model, they have managed to impact the lives of thousands of people, generating changes in them and the companies they work for.

Their mission is to change the lives of 10 million families through Financial Wellness in the next 10 years.

Vision

We seek to accompany people and improve their Financial Wellness so that they achieve their financial goals, which will have positive effects on families, companies and society.

We do it through 3 elements:

- We know you like no one else
- We know your goals and make them ours
- We accompany you through the different stages of your life

Today, more than ever, the country needs Financial Wellness and that each part involved: government, companies and individuals take responsibility for their part. By having Financial Wellness we will have people better prepared for facing emergencies, working toward their goals, well prepared for their retirement and helping to build a solid country.

We consider it our responsibility to support as many people as possible to achieve their Financial Wellness and to allow them to improve their situation and their environment.

Learn more about Invested on the website www.invested.mx/



Vanguard is an investment company not quite like any other. Vanguard was founded in the United States in 1975 on a simple but revolutionary idea: that an investment company should manage the funds it offers in the sole interest of its clients.

Vanguard's customer-centric approach is based on the unique ownership structure of The Vanguard Group, Inc. in the United States. Rather than being publicly traded or owned by a small group of individuals, The Vanguard Group is owned by US-domiciled Vanguard funds and ETFs. Those funds, in turn, are owned by their investors.

This unique mutual structure aligns our interests with those of our investors and drives Vanguard's culture, philosophy and policies around the world.

Vanguard added value

The world of investments can seem overwhelming if it is the first time you approach it; however, if you take one step at a time and get the right advice, you can create a plan that will help you get closer and closer to your financial goals. Whether the goal is to save for retirement, for your children's college or to go on vacation to some paradisiacal beach, investing can help you get closer to those goals by putting your money to work. Once you have defined your goals, you can decide which path to take with your investments.

Vanguard's mission is to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

"Vanguard is a mutual company where our clients are our shareholders, created with the sole mission of giving all investors the best chance of financial success. In that sense, we are delighted to collaborate with Invested in the first Annual Report on Financial Wellness in Mexico; study that provides transparency and valuable information about the personal finances of workers, their investment goals and some recommendations on how to achieve them."

Juan Hernández, Head of Vanguard Latin America

For sophisticated and institutional investors

- Vanguard offers more than 100 ETFs in Mexico, which are low-cost investment vehicles that companies and individuals can access through any stock broker.

www.vanguardmexico.com

- Advice and portfolio consulting for institutional investors.

www.vanguardmexico.com/es/asesoria-de-portafolio

- Accessible information in our knowledge center that Vanguard offers to all investors.

www.vanguardmexico.com/es/aprendizaje/explora/fundamentos-de-etf

- Related information that enriches the study of financial wellness.

www.vanguardmexico.com/es/aprendizaje/explora/bienestar-financiero



Aon is in the business of better decisions. We are experts in guiding companies and their employees on how to achieve comprehensive well-being, offering our clients in more than 120 countries advice and solutions to protect and grow their business.

"Being part of this initiative will allow us to have the necessary data to be able to direct companies to have better policies and practices for their employees, so they can achieve financial well-being."

Moisés Pérez, Head of Retirement and Financial Wellbeing, Aon Latin America

Learn more about Aon on the website www.aon.com/mexico



The Mexican Association for Human Resources Management (AMEDIRH, by its acronym in Spanish) is a leader in its field in Mexico. It was founded 75 years ago to offer the community the most relevant in talent management, to take it to high levels of competitiveness and productivity.

It has 900 member companies that represent 12,500 executives and influence the income of more than 2 million workers. AMEDIRH promotes between 12,000 and 15,000 vacancies each year through its Job Bank.

"At AMEDIRH, we know well about the need of tens of thousands of people who collaborate in our affiliated companies, regarding the proper use of bank credit, savings instruments and even the support available in the company. We fully trust that the 2022 Financial Wellness Report will help more and more people create solutions for a more balanced life."

Mauricio Reynoso, CEO AMEDIRH

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