



Financial Wellness:

The Problem, The Opportunity, The Solutions



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When debt is the problem, we are the solution.

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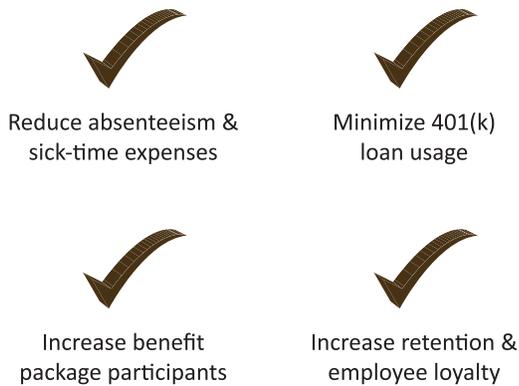
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The Executive Summary

Studies show employers now, more than ever, have the opportunity to assist employees to become more knowledgeable and better able to manage their finances. Employers are aware that a stressed workforce, preoccupied by financial instability, is less likely to perform at a desirable level.¹ When finances suffer, so does one's health and well-being. An employer improving the financial wellness



of their employees is a win-win for their bottom line.² Research has shown employees welcome the need for support in various financial education opportunities at the workplace.³ An initiative to educate employees has been somewhat or very affective according to 72% of HR professionals.¹ Using an experienced and accredited third party financial educator can relieve some of this stress and remove liability. For financial education to be well-rounded and available for every employee to participate, it must be

comprehensive and cover a range of topics such as; debt management, taxation and income planning.

Quick Fact

72% (nearly 3/4) of adults report feeling stressed about money at least some of the time.

There is a definite impact between being handed information and being taught information from subject matter experts that brings a deeper learning and understanding. This is one reason why businesses need to have a reliable source in delivering financial education. Through group seminars, webinars, publications, interactive courses and one-on-one counseling, the third party offering the education programs should be flexible and un-biased in its delivery. One-size does not fit all per business; the program should know that what may work for some won't work for others.

The Case of Financial Literacy and Wellness:

The Problem

The World Health Organization calls stress “the health epidemic of the 21st century.”⁴ A study of stress in America revealed that the primary cause of stress is money worries.⁵ No one is immune to financial stress and it can affect businesses and their employees. Money management may cure Americans’ struggle to save; two-thirds live paycheck to paycheck.⁶

If you’ve ever contemplated why your employees are coming into work stressed and less productive on-the-job, it may be because of their continuing financial issues. Seven out of 10 HR professionals indicated that overall employee performance has a “large” or “some” negative impact from personal financial challenges.⁷

Negative impact on financially stressed employees: ⁸

- **Low productivity:** A company may stand to lose about 20 hours of productivity a month for every affected employee. This translates to about \$5,000 per employee.
- **Absenteeism:** Employees worrying about finances may use more of their sick leave.

- **High turn-over rates:** Financially -stressed employees may seek other job opportunities with higher pay.
- **Lack of commitment to their company.** High turn-over rates force companies to constantly adjust and look for new hires.
- **Health issues:** Those worrying over making ends meet forego healthcare needs. (9% of adults considered not seeing a doctor) and at a slightly higher number (12% of adults have skipped going to the doctor altogether)
- **High insurance rates:** Substance abuse, heart disease and eating disorders are all serious health issues related to stress. Therefore, insurance rates can go up for companies with employees of stress-related illnesses.
- **Employee benefits dependency:** With financial trouble, employees may turn to a company’s benefits programs to assist their needs; increased borrowing, frequent requests for pay advances.

Quick Fact

Workplace stress is estimated to cost American Businesses up to \$300 billion/year - Reuters

The Problem

Financial literacy is not precluded to high income thresholds; only 45% of highly compensated employees would describe themselves as being in control of their finances.⁹

Money management struggles at all income levels require a need to address financial security in current, long-term and protection against unforeseen events. This is why insufficient income isn't an issue among all consumers, yet a lack of financial education and financial management skills when allocating consumption and savings. Only 1/3 employees strongly agree they are in control of their finances.⁹



These financial circumstances may be the cause in employee absenteeism as well, consider these statistics:

Did You Know?



2/5 of employees strongly agree or agree that they have missed work due to a financial emergency - SHRM



Money (75%), work (70%) and the economy (67%) are most cited causes of stress for Americans - American Psychological Association



“Those who report high levels of debt stress suffer from a range of stress-related illnesses including ulcers, migraines, back pain, anxiety, depression, and heart attacks.” - WebMD

The Opportunity: Employee vs. Employer

Employee

For over half a century, the life-cycle theory of consumption has been central to economic analysis.¹⁰ The goal according to the life-cycle theory is to balance income, consumption and saving choices to achieve one's desired level of living and to remain stable during working years, including retirement.

There is a disconnect between theory and reality among employees when it comes to managing their money. Financial education programs at the workplace take the opportunity to bridge this gap for its employees.

According to the University of Minnesota "... especially baby boomers, are often naive about later life financial security decisions" and are in need of a "reality check." Although less than half of workers have not saved for retirement, they are nonetheless still confident that they will have enough to have a comfortable level of living during retirement years.

The reality for baby boomers is that approximately 40% leave the workplace earlier than expected due to health problems, disability, or changes in their company.²



Productivity in employees increases when financial education is acquired; enabling them to focus on work activities rather than financial problems.² Since Americans spend more hours at work than they do sleeping,¹¹ the workplace is a logical place to receive financial education.

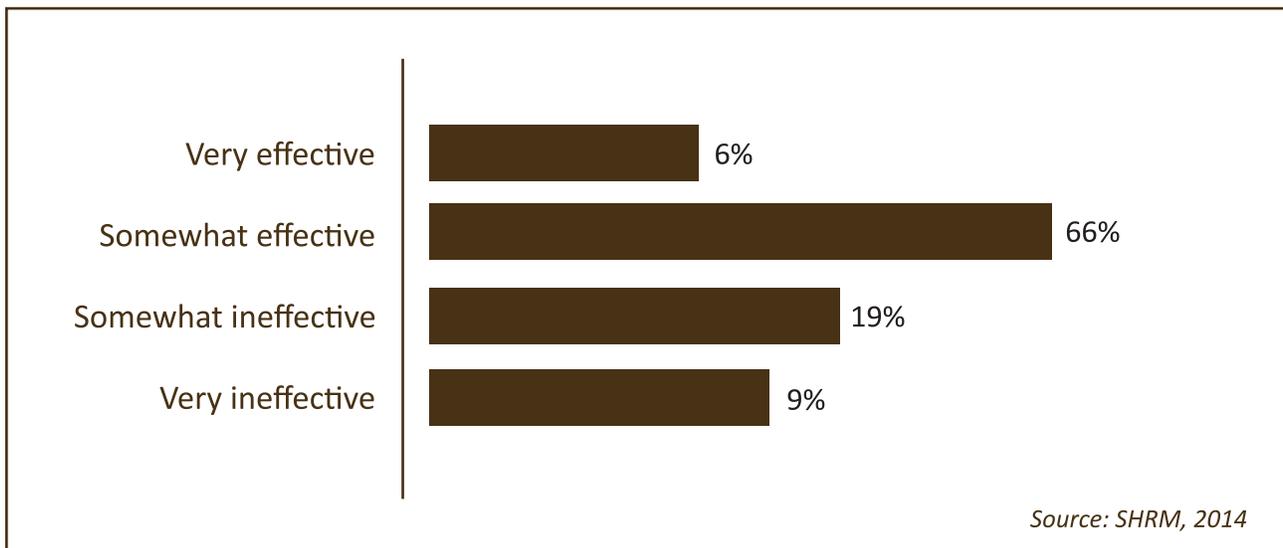
Financial issues resulting from poor management and habits also impact long-term stability. Those with low financial literacy are less likely to make-informed decisions regarding long-term investments or savings for retirement.¹²

This results in most planning to work for pay after retirement to supplement their income.¹³

Even millennials, 33 years old and younger, only 14% are concerned with investing in retirement planning and 31% in financial investing planning.¹ Decision making becomes complex in later life issues, it may require a comprehensive financial education to encourage employees to start thinking about these aspects. Reducing an employee's financial stress reduces their stress overall.⁷ Peace of mind can be increased when undertaking financial security for later life ahead of time.

Employer

Employer interest in financial wellness and literacy promotion of employees through the provision of workplace financial education has increased in recent years.¹⁰ Many employers provide information about retirement planning and investing, but far fewer offer the education behind personal financial management strategies. In return, this means that stress induced employees' lack of financial planning may have a negative financial impact directly on your bottom line.¹⁴ This graph shows how financial education in the workplace has affected employers' employees:



By offering a financial education program in the workplace you can turn around negative results, bringing positive impacts to your bottom line:¹⁴

Reduce Expenses

The more an employee knows, the more likely they are to participate in healthcare and stock plans. Employee participation will reduce the portion of Social Security/Medicare taxes paid into by the business.

When employees manage their money better they require fewer payroll advances, wage

garnishments or 401(k) loans which can reduce expenses of your company human resource departments or fund managers. Nonetheless, productive workers are more likely not to commit on-the-job errors or have accidents which activate a Worker's Compensation claim - this keeps annual premiums down.

Manage employer liability risk:

The Employee Retirement Income Security Act (ERISA) Section 404(c), usually for businesses that sponsor retirement funds, requires providing their employees with “sufficient information” to make informed decisions regarding investment alternatives. Providing comprehensive financial education may reduce any risk of manager or employee liability.

Improve workforce planning:

Assisting your employees to feel financially secure and plan for retirement also helps the employer improve workforce planning and attrition rates. The more secure an employee feels in their finances the more likely they will retire when they choose and not delay.

“Planning ahead for financial security in later life increases peace of mind, financial control and independence, improves one’s quality of life, reduces the burden for others, and reduces the potential for conflict.”

- University of Minnesota



Attain and retain quality employees:

A constant struggle can be lower turn-over rates and retaining quality staff. Top-talent employees can shop for top salaries and benefit packages therefore; it is in employers’ best interests to offer attractive incentives. Inevitably, on-site financial education can ensure trustworthiness and loyalty because you are attending to your team’s needs for long term security.

The Solution



Studies show that financially stressed employees affect productivity and company profits because when one is worried about money it's often difficult to focus at work. Low participation of employees in company retirement and investment programs show that since workers won't seek out help on their own; it's up to the company to provide it.¹⁵

It has been shown that an experienced and accredited third-party financial educator teaching proper money management skills can alleviate stress. However, financial education must focus on more than just pensions and benefits- it needs to be comprehensive.

Why do so many programs fall short?

Why does the information given by providers not lead to real change?

When information is simply given, it can be forgotten. Education trumps information- education cannot be taught, it is learned.

Fortunately, there are ways to deliver this

education; group seminars, webinars and one-on-one coaching are the most effective. An educational program working with a company should be flexible since what will work best for some, won't for others and it all depends on the individual business.

Having employee financial education ensures questions are answered and correct information is given. Therefore, this increases the rate of change in your employees. Now a company has an employee who is coming to work happy, more engaged, more productive and physically healthier too. This savvy consumer has an improved well-being and the more financially fit they are, the more profitable your company will be.

Endnotes

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