



**The Heartland Institute Of Financial Education**  
**2851 S. Parker Road**                      **Aurora, CO 80014**  
**Phone: 303-597-0197**                      **Fax: 303-369-3900**

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## **Employees' Financial Stress a Headache For Employers**

Judith Cohart, Personal Finance Employee Education Foundation Interview, April 2013

Employees are stressing over their finances and employers are feeling the pain in lost productivity and higher health care costs. That's good news for benefits consultants and brokers who can offer voluntary financial education programs as a solution – and build a new source of revenue.

In a survey conducted by the Wisconsin Department of Financial Institutions, only 18% of employers cited budget as an inhibitor to implementing a financial education program; 66% of respondents (some already offering financial education programs) were interested in hearing about what their peers are offering.<sup>1</sup> “Nearly all of our employer clients are asking about financial education programs,” confirms Jason Steed, vice president of Voluntary Benefits & Technology at Pacific Resources, a national benefits advisory firm headquartered in Chicago.

### **Feeling the pain**

Recently, McGraw Hill Federal Credit Union surveyed more than 1,000 employees about the time spent at work dealing with their personal finances. More than a third (36%) admitted to spending between two and half hours a day either handling or worrying about money matters.<sup>2</sup>

A 2012 financial wellness survey by *PricewaterhouseCoopers* LLP got similar responses: “one-third of respondents admitted that personal financial issues have been a distraction at work and nearly all indicated they have spent time at work either thinking about or dealing with issues related to their personal finances.” Even more troubling, the amount of time is more than double what was reported in the 2011 survey.<sup>3</sup>

What are employees stressed about? Still nursing a lingering hangover from the recession, 68% of Americans are living paycheck to paycheck and struggling to cover basic obligations such as mortgage payments, utility bills, and child care, according to a survey by the American Payroll Association. On top of these financial burdens has been added student loan and credit card debt and higher fuel prices.<sup>4</sup>

The hit to productivity is obvious. The stress of financial worry also translates into medical issues which mean higher health costs – all in all, adding up to one serious headache for employers.



## **Education offers relief**

Small wonder that a growing number of employers are looking to add financial wellness programs to their employee benefits line up.

Implementing a financial education/wellness benefit can:<sup>5</sup>

- Increase employee productivity
- Increase affinity and loyalty toward the company
- Reduce health care costs
- Encourage employees to take better advantage of 401k, life insurance, and other benefits.

Steed adds that consumers, especially those who work for large employers, are depending upon their employers to provide this type of assistance. Even so, employers still have a way to go in adopting such programs. Significantly less than half (36%) of the 1500 employees responding to a January 2013 American Psychological Association (APA) survey reported their employers offered sufficient resources to help them manage stress.<sup>5</sup>

## **What's available?**

Types of financial fitness programs can include resources to help employees learn more about retirement, managing debt, protecting credit, personal savings plans, and estate planning. "Many employees need education in simply managing their expenses effectively," says Judith Cohart, president of the Personal Finance Employee Education Foundation (PFEEF) and an expert on financial education in the workplace. "Knowing how to manage your money is as important as being literate," she asserts. "People need to change the behavior of how they spend. It's not how much money you have – it's how you manage it."

To start a financial education program, Cohart recommends evaluating the needs of the employee population up front. This will tell an employer where the greatest needs are and provide a benchmark for measuring the program's success.

The form that financial education can take varies broadly. It can be disbursed via online articles, surveys, and questionnaires through money coaches (under an EAP program) and at onsite workshops and seminars. Employers also are partnering with their benefits vendors to include value added resources within traditional benefit programs such as life or disability. A caveat: value-added resources are often so embedded within the traditional benefit programs that employees don't realize they're available.



Steed believes the key to success in financial education, or any voluntary program for that matter, is clear and timely communication. "It's not enough just to offer a program," says Steed. "It's also about delivery methods and timing. I ask clients 'how many times have you heard from an employee that they didn't know a benefit was available until after they needed it?'"

## **Employee Financial Wellness Improved in First Quarter**

By Warren S. Hersch May 20, 2013

Employee financial wellness improved in the first quarter of 2013, extending a long-term trend that began in the first quarter of 2010, according to new research, Financial Finesse Inc. Employees' financial wellness score reached 5.2 out of 10 vs. 4.9 out of 10 one year ago, as measured by Financial Finesse's proprietary financial wellness scale.

"This general improvement may be related to an increase in proactive behavior," the survey states. "Seventy-five percent of questions received by our team of [financial] professionals dealt with making financial plans and improving financial behaviors, rather than dealing with financial problems or emergencies.

"In addition to asking more proactive questions, employees also took more proactive steps toward retirement planning and investing," the survey adds. "Employee utilization of financial education is also increasing, as employees seem to be actively taking control of their finances rather than waiting for a financial problem to occur."

The report reveals that improvements in financial wellness are most pronounced in lower income households. In the first quarter of 2013, 55 percent of these households indicated they better manage cash flow and therefore spend less each month. This compares with 50 percent in 2012.

Among the survey's additional findings:

- 40% of employees reported having used a retirement calculator to see if they are on track for retirement. This is up from 37% in Q1 2012.
- 49% of employees reported having taken a risk tolerance assessment, up from 43% in Q1 2012.
- 39% of employees reported feeling confident in the way their investments are allocated, up from 33% in Q1 2012.
- a smaller percentage reported having 15% or more invested in a single position, while a greater percentage reported rebalancing their portfolios and reviewing combined assets to develop a master asset allocation strategy.



- Eighty-one percent of employees are at risk of not saving enough for retirement, down from 86% in Q1 2012 and 85% in Q1 2011.
- Seven out of ten employees selected retirement planning as a top priority in Q1 2013, making it the most often selected.
- Over 90% of employees that completed a financial wellness assessment currently contribute to their employer-sponsored retirement plan.

## **FINRA Releases State-by-State Financial Capability Findings via Interactive Website**

The FINRA Investor Education Foundation released the results of the 2012 National Financial Capability Study which "reveals interesting changes in key measures of financial capability over the three-year period since the baseline study was completed; but, it also reinforces the original finding that financial capability varies greatly by socio-economic status and other demographics and that many Americans struggle to make ends meet, plan ahead, and make optimal financial decisions."

FINRA has released the findings via an interactive website with financial literacy quizzes, information by state, and research parameters. The 2009 study finds that California, Massachusetts, and New Jersey have the most financially capable populations, while Mississippi, Arkansas, and Kentucky are near the bottom. The interactive website is linked below.

Copy and paste <http://www.usfinancialcapability.org> into your browser to read more, take the financial literacy quiz and check out the information nationally or by state.

<sup>1</sup> "Employer-based Financial Education in Wisconsin", Wisconsin Department of Financial Institutions, 2012

<sup>2</sup> "One-Third of Americans Spend Up To Half Their Day Managing Personal Finance Matters: Experts Prescribe Greater Financial Wellness," Financial Literacy Month, April 2013

<sup>3</sup> "Employee Financial Well-being and Retirement Survey," PricewaterhouseCoopers, April 2012

<sup>4</sup> "More Than Two-thirds in U.S. Live Paycheck to Paycheck," American Payroll Association, September 2012

<sup>5</sup> APA Survey Finds US Employers Unresponsive to Employee Needs, March 2013