The Heartland Institute Of Financial Education
8301 E. Prentice Ave., Unit # 312
Greenwood Village, CO 80111
Phone: 303-597-0197 Fax: 303-369-3900

NEWS REVIEW

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WHAT STAPLES UNDERSTANDS ABOUT BEING A GOOD EMPLOYER

By John Hoffmire & Pankaj Upadhyay PFEEF June 2015

A national team of academic scholars and other experts concluded that 30 million workers in America - one in four - are seriously distressed and dissatisfied with their personal financial situations. Many, if not most, families say they live paycheck to paycheck. Inevitably this stress spills over to work. For instance, in 2012, roughly one in five employees admitted they had skipped work in the past year to address a financial problem. According to an Alliant study, a worker with financial problems spends 15 minutes per workday dealing with personal financial matters. This equates to 75 minutes per week, or 62.5 hours in a 50-week work year.

Stress imposes both a corrosive burden in the lives of employees and is a significant cost to employers. An employee who is stressed about money matters costs an employer about $400 due to reduced productivity and absenteeism. The link between employee wellness and their financial health becomes critical as corporate benefit programs shift more responsibility onto workers. This result should not be surprising however, given American employees' pervasive lack of basic financial abilities. "Americans get close to a failing grade when it comes to understanding their finances and financial literacy," said Gerri Walsh, president of the FINRA Investor Education Foundation.

Amidst the disappearance of traditional pensions, people have more responsibility for funding their own retirements, and the absence of adequate and appropriate investor education has clear costs. In this context, there is a strong case to be made in favor of programs that encourage employee financial well-being. The example of Staples is notable in this regard. By using vampire-themed and farming-based games, Staples has made planning for retirement and money management more appealing to its busy associates. With over 2,000 stores in 26 countries, a diverse workforce and increasingly short attention spans, Staples wanted a program that was not only comprehensive but also scalable and adaptable across a variety of work settings.

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When Lisa Blasdale, Staples' senior benefits manager, explored the underlying causes behind the enrollment in company benefits programs, she was surprised to find that many longtime Staples associates were struggling with debt or basic credit card issues. Staples then decided to refocus its efforts on fundamental financial management skills, emphasizing the need to manage spending, paying down high-interest debt, and the benefits of saving for retirement. The online games, Bite Club and Farm Blitz, which Staples offers to all employees, gives players a chance to manage a nightclub for vampires and a farm, leverage competition and the positive power of collaboration and peer-to-peer interactions.

In another financial wellness program at Staples, assistance was provided to employees to complete their own tax returns. The Tax Break program at Staples resulted in 32 percent improvement in employee retention. For each employee who participated in the program, the company saved $480 and incurred a cost of $75, resulting in an impressive 5.4 times return on investment.

As employees gain control of their financial lives, they become more competent and thereby do a better job. The employer efforts in helping employees build a good, strong financial future yields reciprocal commitment from employees. The increased loyalty improves morale and productivity plus attracts good talent. Further, financially empowered employees are more likely to appreciate the commonality of employer and employee interests and to understand the core values of the company. Investing in employee financial literacy simply makes dollars and sense.

It is simply smart business to provide employees a comprehensive workplace financial program. Providing easy access to financial education and advice helps employees keep the various elements of their personal lives in balance.

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Financial Stress Remains, Despite Improving Economy

By Paula Aven Gladych   ebn, Employee Benefit News   June 2015

While the economy has steadily improved over the past five years employees are still experiencing a great deal of financial stress.

A report on stress by Financial Finesse found that more than half of working moms between the ages of 30 and 55, who make less than $60,000 a year, experience high or overwhelming levels of financial stress.

Only 23% of all employees that completed a financial wellness assessment in 2014 and 40% of similar-aged male parents in the same income group claimed to be that financially stressed. “While it’s no surprise to any working mother that juggling competing financial needs is stressful, small steps over time can create financial balance for families at any income level,” says Liz Davidson, CEO of Financial Finesse.

Davidson recommends building an emergency fund over time, tracking expenses to find ways to save and pay down high-interest debt and taking full advantage of employer-sponsored benefits at work.

In Financial Finesse’s 2015 Financial Stress Report, a person’s stress levels varied by employee demographics.

Twenty-six percent of men under the age of 30 reported that they have no financial stress at all. Women were more likely to report high levels of financial stress than men. Age is also a contributing factor, along with income and whether a person has children or not.

“There have been so many changes in health care on the employee benefits level that people feel general pressure to understand new plans, high deductibles, HSAs and do they need to carry more of the health care costs,” says Cynthia Meyer, a chartered financial analyst and certified financial planner who heads up workplace financial education at Financial Finesse. “Americans in general and employees are still carrying high levels of debt. That has a cascading effect. …Those with overwhelming stress are not managing their cash flow as optimally as they can be.”

Employers can help financially stressed employees by providing unbiased workplace financial wellness programs that offer an opportunity to learn practical money skills, Davidson says. “Employers can offer workshops, webcasts, an online financial wellness center and one-on-one financial coaching to help simplify financial complexities and help busy employees get the most out of their benefits,” she says. “A workplace-based financial wellness program saves busy parents time and has been proven to reduce financial stress as well as create a sense of loyalty between employee and employer.”

Financial Stress Remains, Despite Improving Economy Continued…

Financial Finesse believes the workplace is the best place to reach women who are stressed about their finances because the study showed that women are more likely to take advantage of workplace financial wellness programs.

"What we see in the corporate financial wellness space is that the more touches an employee has with a financial wellness program, the more likely they are to make significant changes over time," says Meyer. That means attending seminars, taking a financial wellness assessment or using online tools such as retirement income calculators.

Lower income employees have seen great progress in the areas of debt management and cash flow management because of their participation in a workplace wellness program, she said.
The main thing employees should do to lower their financial stress is to build up an emergency fund that can pay for at least three to six months of expenses, she said.
"People need an emergency fund. That is the first line of defense. People working in the corporate world generally have health insurance but everybody has a situation where their car breaks down or they have an unexpected dentist bill that can set off a cascading effect of debt," she said.

Inadequate Retirement Savings a Global Issue

By Paula Aven Gladych ebn, Employee Benefit News June 2015

While employers may recognize that the amount of time employees will spend in retirement is growing, people around the world fail to reflect this trend in their long-term financial planning. Getting workers to save more for retirement is a global necessity and employers have a huge hand in improving the financial well-being of their employees in retirement, according to a study by Aegon and the Transamerica Center for Retirement Studies.

The organizations surveyed 16,000 individuals in 15 countries to find out their thoughts and wishes for retirement. It found that four in 10 people don't save anything for retirement, even though half of these people said they would like to. Forty-five percent of those surveyed said they would consider saving more for retirement if they received a pay raise and 33% said that generous tax breaks would help them save more as well. Simplifying investment products sold could also encourage one-fifth of non-savers to start saving, Aegon found.

People who are considered habitual savers earn roughly $41,000 per year or about $29,000 in emerging economies. Aegon stresses that if people chose to save for retirement beginning at age 20, they could boost their retirement income by $11,000.

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More than one-quarter of employees surveyed had access to a defined benefit pension plan and an additional 18% had a defined contribution or money purchase plan, Aegon found. In total, 41% of employees said they have access to a workplace retirement plan with employer contributions. An additional 24% said they have access to a plan without employer contributions.

"Changing the design of workplace retirement plans is crucial. By including features such as automatic enrollment and automatic escalation, employers already play a large role in some countries. Notably in the Netherlands, mandatory participation results in over 88% of employees being covered by private pension plans," Aegon found.

The survey found that 59% of those individuals who don't currently save for retirement, but would like to, say they would participate in their plan if they were automatically enrolled with a 6% contribution rate.

Aegon also found that six in 10 employees feel valued when they have access to a retirement plan at work, and 70% say that workplace retirement plans should be part of their basic pay and conditions. Having a better employer match for their plan also would encourage many employees to save more.

Aegon recommends that employers get more involved in helping employees save more regularly for retirement. Automatic features are a good way to get people enrolled in workplace retirement plans and giving access to both full- and part-time employees is also a must. Financial education about the benefits of long-term savings should also be considered by employers who want to help employees have a successful retirement.