Heartland Institute of FINANCIAL EDUCATION

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Instructor’s Tutelage

A December of Possibilities

As we approach the end of another year, let’s get an early start on 2016 and our New Year’s resolutions by accepting the responsibility of planning our future and try our hand at becoming “financially well”! The concept of financial wellness includes a step-by-step process that guides the individual to a state of financial security. But if you want to simplify it even further, you could call it an integrated system of cash flow planning. Think about it; you need money for different purposes at different times.

It’s been estimated that only 3% of Americans have written goals. It is also, interestingly enough, estimated by the U. S. Government’s Department of Health and Human Resources that approximately 3% of the population is financially prepared for a financially successful retirement upon reaching age 65. Goal setting begins by “visualizing” what you want and then transferring that vision to writing, determining step-by-step what must be done to achieve the goal. “Seeing” the future and writing it down is the initial step for effective financial planning. The adult learner must take personal responsibility to work his or her way through this critical process of financial planning.

Personal financial planning is the process of managing your money to achieve personal economic satisfaction. This planning process allows you to control your financial situation. Every person, family, or household has a unique financial position, and any financial activity therefore must also be carefully planned to meet specific needs and goals. A comprehensive financial plan can enhance the quality of your life and increase your satisfaction by reducing uncertainty about your future needs and resources.

> “The most decisive actions of our life—I mean those that are most likely to decide the whole course of our future—are, more often than not, unconsidered.”
>
> Andre Gide

How to effectively talk about retirement across generations

By Mike Nesper, ebn, Employee Benefit News, Oct. 2015

When talking to employer clients and their employees about retirement, it’s important that advisers understand the differences between generations.

The youngest generation in the workforce, millennials tend to view retirement planning with a pessimistic attitude, said Natalie Wyatt, vice president of business development at Innovest Systems, LLC. “These people don’t think they’re going to retire,” she said Monday at the ASPPA Annual Conference in National Harbor, Md.

ISSUE GUIDE

How to effectively talk about retirement across generations (cont.)

Knowing employees' mindset in the workplace is also crucial, said Sarah Simoneaux, a consultant at Simoneaux and Stroud Consulting Services. Here's a breakdown she gave of each generation:

- Baby boomers: They want to be told what to do.
- Generation X: They want to know what to do and the deadline. Then, they want to be left alone.
- Generation Y: They want to know what to do, when to have it finished and how to do it. They also want to know why. Millennials like to figure out a better way of achieving the task, like to work with friends and have a fear of failure.

Loyalty also differs between Gen X and Gen Y. The former is loyal to their family. "We love the work-life balance," Wyatt said. Whereas millennials are loyal to "their people," Simoneaux said, adding that Gen Y employees will stay at a job and earn less money if they have someone, such as a mentor, that they enjoy working with.

When discussing retirement with millennials, advisers should reframe the conversation around financial independence, Simoneaux said. Younger employees want access to their money, she said, and offered Roth IRAs as a good selection for millennials. "We way undersell Roth to X's and Y's," Simoneaux said.

That's because the word "Roth" can be off-putting, she said. Instead of mentioning this foreign word, advisers should talk about the specifics of these IRAs, such as tax-free accessibility to money and how it grows, without uttering the word "Roth," Simoneaux said.

Top 10 states for financial well-being

By Paula Aven Gladych November, 13 2015

Improving financial well-being is important for employers and health plans as it's an often overlooked determinant of overall health, medical costs and workplace performance. The 2014 Financial Well-Being State Rankings is the sixth in a series of reports based on Gallup-Healthways' Well-Being Index. Results are from 265,369 Americans surveyed across all 50 states. The research aims to take a holistic approach to analyzing the financial well-being of Americans, including its associations to depression, smoking and activity levels.

10. Wisconsin

Wisconsin ranks 10th overall for financial well-being. People in Wisconsin also ranked their state high in the following categories: Having enough money to buy food (6th) and not having any financial worries in the past seven days (7th).

9. Iowa

People in Iowa ranked their state high in the following categories: Having enough money to do what you want (6th) and not having any financial worries tin the past seven days (7th).

8. Montana

Montana ranks 8th overall for financial well-being. People in Montana also ranked their state well in the following categories: Having enough money to buy food (7th) and comparative satisfaction with their standard of living (2nd).

7. Nebraska

The Cornhusker State takes No. 7. As for the methodology questions, the state ranked in the top 10 in all but one: Having enough money to buy food, where the state ranked No. 12.

6. Minnesota

The Gopher State is the first to rank within the top 10 on all elements of financial well-being. The state's population ranks best when asked if it was worried about money (3rd) and having enough money to buy food (2nd).

5. South Dakota

South Dakota takes No. 5 and is the first to take a top spot in another category with its state's citizens feeling most comfortable about having enough money to buy food.

4. Wyoming

Wyoming takes the No. 4 spot for over-

Top 10 states for financial well-being (cont.)

-all financial well-being and also ranks No. 4 in another category: Comfortable about having enough money to buy food. The Equality State ranked 6th in the "financially stable enough to afford health care" category.

3. North Dakota

North Dakota ranks 3rd overall and has two 2nd place spots in the survey statements: "enough money to do everything you want to do" and "in the last seven days, you have not worried about money."

2. Alaska

The 2nd place state for overall financial well-being. Additionally, it's the 2nd state to reach top 10 marks in all other categories, and the first state with No. 1 spots in two areas: a week free of financial worries and satisfaction with compared standard of living.

1. Hawaii

The Aloha state takes the top spot for states with the highest overall financial well-being. It also takes makes top 5 in all other categories. When asked, the state's population received other high marks including having enough money for health care as well as high satisfaction rates.

Helping employees get on the right retirement track

By Paula Aven Gladych November 13, 2015

Many things get in the way of people saving enough for retirement. Buying a home. Student loans. Getting married. Having kids. All of these competing priorities make it difficult to set money aside for something that seems light years away.

A new study by the Think Tank at Financial Finesse found that employers can do more when it comes to helping employees prepare for retirement.

There is a pervasive attitude that if a person is in their 20s and already saving for retirement, there's something wrong with them, says Greg Ward, director of the Financial Finesse Think Tank. The message that "you have to live for the moment, you can wait until you are in your 30s [is] the wrong message," he says. "We think employers have a tremendous opportunity to help with this, particularly when you look at [industry retirement] studies. Employees trust information provided by employers more than information provided by the industry or their own family."

So what can employers do with this information? They can use it to help educate their workers about how a little bit saved now can have a huge impact later on.

The first step is to get employees to actually acknowledge there is a future and they need to run their financial projections immediately, Ward says.

In its State of U.S. Employee Retirement Preparedness report for 2015, Financial Finesse found that 61% of employees who took a financial wellness assessment had no idea if they were on track for retirement.

"They are not running projections or using available resources to know what 'on track' looks like," he says. "If employers can give employees incentives for running these projections, we know that some of that 61% may be on track but they just don't know it."

He adds that if you examine the characteristics of the population that doesn't know if they have saved enough for retirement, "they are much more in line with those who are not on track than those who are on track. The majority of them are not on track. They are putting their heads in the sand. They don't want to look at the numbers," he said.

Another missed opportunity is auto-enrollment and auto-escalation. Many large employers have adopted these measures, which definitely gets people enrolled in their 401(k) plans. The bad news is that most employers opt workers in at low contribution levels — between 3% and 6%.

Most financial professionals will advise people that they need to save between 10% and 15% annually to achieve enough savings to get them through retirement. Ward says that employers need to be bold. They should start opting employees into the plan at 10% or more. Studies have shown that only a small percentage of workers will take the time to opt out of a 401(k) or other workplace-sponsored plan once they have been opted in.

"Setting the default rate at 10% or more will get people at the

Helping employees get on the right retirement track (cont.)

levels they should be saving at and we probably won't see opt out rates that prevent employers from doing that," he says.

Automatically escalating employee contributions is also a useful tool because it counteracts employee inertia. Employees "will adapt to the paycheck coming home and are much more likely to get to the saving rate they need to get to," says Ward.

Employers can also help by giving employees a more holistic view of their benefit offerings. Perks like health spending accounts are underutilized as a retirement planning tool, says Ward, because many people don't realize that the money they don't use in these types of accounts gets carried over into an investment account that they can use for future health care expenses.

"There's a lot of money invested in these benefits but employees don't know how to ultimately weave them together for financial planning today," he adds.

HIFE Financial Wellness

THE NEED:

These days, Americans are besieged with ever-increasing responsibilities and demands on our time. We work more hours than ever before and statistics tell us we are not taking adequate time to strategically organize and implement effective personal financial planning. The key to this type of planning begins with financial education – something most of us never received in school but we all desperately need.

THE SOLUTION:

In order to assist the development of a national financial literacy movement, Title V of The Fair and Accurate Credit Transitions Act, also known as the Financial Literacy and Education Act, created the Financial Literacy and Education Commission. Comprised of 20 federal agencies, the commission is charged with coordinating federal efforts to develop a national strategy to promote financial literacy in the United States.

The Heartland Institute of Financial Education (HIFE) has adopted this mission. Focusing on both the workplace and directly to the public, HIFE partners with colleges and universities nationally to offer financial wellness courses on-site and online.

For more information on the classes that the Heartland Institute offers please visit www.hife-usa.org.

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