Heartland Institute of FINANCIAL EDUCATION

AUGUST 2016

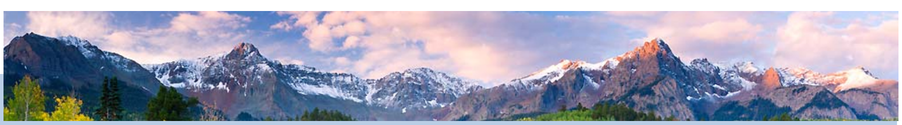
Instructor's Tutelage

Whether the "love of money is the root of all evil" or not, certainly isn't the purpose of this newsletter, but the "lack of money" is. And, like the movement for English literacy in this country two centuries ago, financial literacy is the rallying cry for numerous public and private sector organizations concerned about the worsening financial state of millions of people.

Science has long debated whether nature or nurture, genetics or environment, has the upper hand in shaping the human mind. Observing the worsening financial situation run-a-muck in our country, one might suggest a mutated "debt-gene" has somehow infected the hard-wiring of the modern thinking brain. Or, one might venture that the financial education of people has simply failed, in mass. Social habits, cultural beliefs, the daily habitudes of average men and women, and really…every aspect of our lives are negatively affected by this colossal breach.

Regardless of any particular choice of reason or excuse, a serious problem exists with people failing to properly prepare for at least an adequate financial future; our continent is beset with the issue of how to deal with an impending, confounding economic dilemma for the foreseeable future.

Our missions and solution to this dilemma is to help employers discover opportunities to provide financial education in the workplace. As company leaders discover the positive affect that financial wellness courses bring to employees' physical and financial health, along with improved profitability to the organization, a new frontier in financial education will emerge.



Where the U.S. ranks on retirement

By Suzanne Woolley ebn, Employee Benefit News July 19 2016

Norway, Switzerland, and Iceland won the top three spots in Natixis Global Asset Management's fourth annual ranking, released on Tuesday. The U.S., with a score of 73%, strolled in at No. 14 out of 43 nations (right after Luxembourg) in the global retirement index.

Norway joins a number of top 10 countries in having a compulsory workplace savings program. It requires employers to fund private retirement accounts with 2% of a worker's earnings annually. That pales next to Australia, No. 6, where employers must kick in at least 9.5%.

The retirement leaders, with scores of 77% or better: Norway, Switzerland, Iceland, New Zealand, Sweden, Australia, Germany, the Netherlands,

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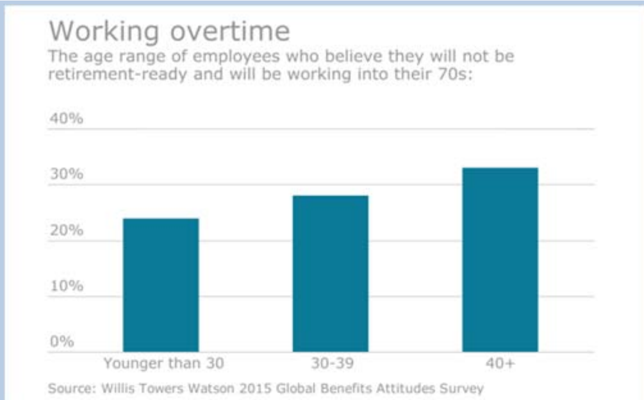
Where the U.S. ranks on retirement (cont.)



Austria, and Canada.

The bottom 10, whose highest score was 57%: India was last, at 12%, preceded by Greece, Brazil, Russia, Turkey, China, Spain, Cyprus, Mexico, and Portugal. At first glance, it looks as if the U.S. made a big jump from last year, when it came in 19th. But that result isn't apples-to-apples. This year's report focused mostly on developed nations, while last year's ranked 150 countries. The methodology changed, too, to a five-year average for real interest rates and inflation, up from a three-year average. That affects a part of the index called "finances in retirement," one of the report's four sub-indexes that determine the overall ranking. If the new methodology had been applied to last year's data, the U.S. would have come in 15th.

The U.S. did reach the top 10 in two of the four sub-indexes, including the one that measures the stability of finances in retirement, which gets the most weight in the overall ranking:

This sub-index looks at the ratio of working people for every retirement-age person, the level of bank non-performing loans, inflation, interest rates, tax pressure, government indebtedness, and governance. The U.S. score, while high, was damped by the nation's "relatively high levels of public debt and increasing tax burdens." As the report said, "rising expenses in the long term seem inevitable as more boomers reach retirement age."

While the move to auto-enroll employees in retirement plans is a positive in the U.S. and elsewhere, the Department of Labor estimates that about a third of U.S. employees have no access to a retirement plan. Once employees are enrolled in a plan, an even bigger challenge is getting them engaged with it, said David Goodsell, who oversees investor research for Natixis.

A 2015 Natixis survey of 401(k) plan participants in the U.S. found 60% saying they put from 1 % to 7.5% of salary into a retirement account, with 40% of those people contributing from 1% to 5%. Many respondents cited personal debt as an obstacle to saving more. Just 36% of workers over age 50, who can defer an additional $6,000 of salary above the standard 401(k) cap of $18,000, did so. Many financial planners recommend saving 20% of your income, an ambitious goal for most Americans—and for pretty much anyone around the globe. The report didn't say whether employee contributions were matched by employers.

The U.S. also did well, at No. 7, in the health-care part of the index, which might come as a surprise to many Americans frustrated by the costs and hassles of their health-care coverage. This measure looks at health spending per capita, the level of uninsured health spending, and life expectancy. The U.S., the report said, has the highest health expenditure per capita of the 43 countries in the index, and ranks sixth for the level of uninsured health expenditures. It was No. 30 for life expectancy.

The cost of health care in retirement in the U.S. is high and seems set to go higher, in part because of rising drug prices.

"The trend, and it's been pretty consistent, is that the consumer of health care, whether a pre-retiree or someone in retirement, is taking on more and more of the [financial] responsibility," said Ron Mastrogiovanni, chief executive officer of HealthView Services, which creates health-care cost-projection software. He cited the move to high-deductible health-care plans, the high cost of supplemental, or Medigap, insurance to help cover what Medicare doesn't, and the plan to reduce coverage under the most popular supplemental plan, called Plan F, in 2020 as some of elements of higher costs.

One area in which the U.S. had an abysmal ranking was in its high level of income inequality, which helped drive it down to No. 37 of the 43 countries. The U.S. and Singapore share the dubious distinction of being the only countries in the top five for income per capita and in the bottom 10 for their large gaps in income equality. Those da-

Where the U.S. ranks on retirement (cont.)

ta points fall into the "material wellbeing" portion of the index, where the U.S. scores 59% to sit at No. 25, below Estonia. That's its lowest score among the report's four sub-indexes, below its No. 16 rank for quality of life. It's worth watching interest rates, which could cause rankings to shift in future years. Low rates are great if you're buying a house or a car, but they stink if you're trying to live on a fixed income in retirement. While Norway, which has started to cut interest rates, is ranked No. 1 overall, No. 1 in material well-being, and No. 3 in the quality of life and health categories, it is No. 9 in the retirement finance measure. If Norway continues to cut rates, "I'll be curious to see what long-term impact that has on its ranking," said Goodsell.

Right now, though, only Denmark, Switzerland, and Iceland top Norway in the report's measure of contentment. When it comes to retirement, the Norwegians are looking pretty fat and happy.

Source: http://www.benefitnews.com/news/where-the-us-ranks-on-retirement

Employee financial stress causing huge employer headaches

Paula Aven Gladych **ebn, Employee Benefit News** **July 20, 2016**

Financial stress can not only cause a host of problems for employees — but it can also have extremely negative effects on employers, new research confirms.

An inability to manage day-to-day expenses can cause a great deal of stress, which then carries over to the workplace, according to a new report from Financial Finesse. The study found that 6 out of 10 people lost sleep over at least one financial problem, which leads to an average of 11 lost days of productivity on the job, says Cynthia Meyer, a certified financial planner with Financial Finesse.

Plus, if people are stressed out, and not getting enough sleep, they may turn to substance abuse, smoking or eating too much. All of these behaviors have negative consequences on their employer, including higher health care costs and lower productivity, she says.

Employees who have manageable financial stress include those who have a handle on their cash flow, have an emergency fund and pay their bills on time. Those with unmanageable financial stress usually live "paycheck to paycheck, with expenses exceeding their incomes and/or with large debt balances and no emergency savings," the report says.

"People with high levels of stress are more likely to suffer heart attacks and are more likely to have digestive problems and hypertension," Meyer says. "Forty-four percent suffered from migraines. It's almost like financial stress syndrome."

It is this unmanageable financial stress that is driving up employer healthcare costs. There's also research that indicates that overwhelming financial stress is driving up workplace accidents.

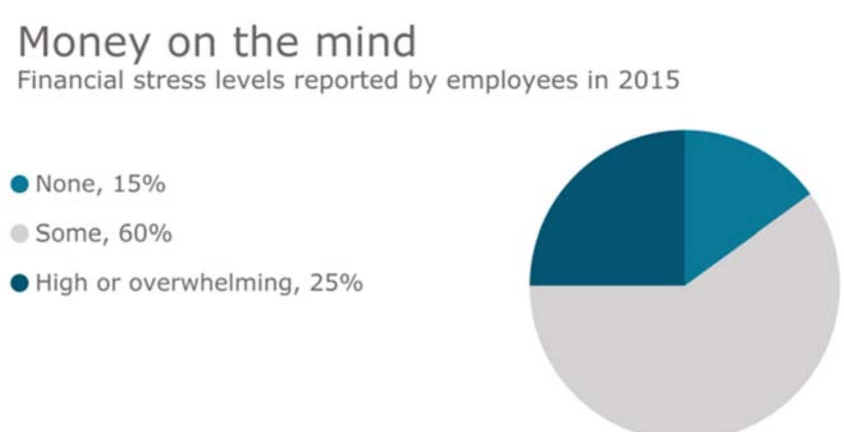
Liz Davidson, CEO and founder of Financial Finesse, says that the only way to get employees to take charge of their unmanageable financial stress is to help them get a handle on what they are doing with their wallets everyday.

Financial Finesse offers its C.A.L.M. Financial Stress Reduction Model as a standard in its financial wellness efforts to help employees get a handle on their cash management.

"The idea is that before you can even talk about it, first you have to stop the bleeding. Reversing the effects of financial stress begins with doing a couple of simple things," Meyer says.

First, employees should speak to someone who can help them get a handle on your finances. That could be a certified financial planner, a credit or financial counselor.

"Just having that outside, more



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Employee financial stress causing huge employer headaches (cont.)

objective and unbiased voice that is working with folks to make the day-to-day small changes" can have a major impact on their financial stress, she says.

The first step in C.A.L.M. is to create a plan to manage cash flow. That could be as simple as writing down everything being spent or tracking expenses.

The second step is to automate everything. Individuals who have unmanageable financial stress do a poor job of paying their bills and saving money for emergencies. By automating bill pay, employees won't have to worry about missing payments again, and by having money automatically taken out of their paychecks, they can save for emergencies without having to think too hard about it.

Step three is to lower spending.

"What we say to folks on the help line is look for one small thing you spend money on that is not important to you," Meyer said. Instead of buying lunch, soda, cigarettes, magazines or fancy coffee every day, individuals could take that money and use it to reduce their debt or build up an emergency fund, she said. Some individuals may need to reevaluate their housing or transportation costs.

"That is where a coach is helpful to encourage what needs to be tweaked," Meyer says. "For some folks it could be they can't lower their spending any more but they can look for a side gig."

Step four is for making progress one step at a time. If employees start making small cuts in spending now, eventually it will become a habit. When it becomes a habit, that's when individuals will see exponential progress, she says.

The C.A.L.M. Model is particularly helpful for women in the workforce, says Davidson, as they are at heightened risk of unmanageable financial stress compared to men. At highest risk are women under the age of 30 who have minor children at home and make under $60,000 a year — with a whopping 54% reporting high or overwhelming financial stress. Thirty-nine percent of all women making less than $60,000 a year have unmanageable financial stress, according to the report, as do one-third of people with minor children at all income levels.

Women are more likely to report financial stress than men. That's why financial wellness programs are so important.

The savings come from a reduction in healthcare costs. In its last return on investment study of Fortune 100 employers, there was a more than 23% reduction in healthcare costs after companies implemented and tracked a financial wellness program for more than a year, Meyer says.

When employees have a better handle on their day-to-day expenses, they also take fewer loans from their 401(k) plans and are less likely to have their wages garnished to pay off debts.

Source: http://www.benefitnews.com/news/employee-financial-stress-causing-huge-employer-headaches