Heartland Institute of FINANCIAL EDUCATION

Instructor's Tutelage

DECEMBER 2016

The Importance of Financial Literacy

Making thoughtful and informed decisions about your finances is more important than ever. There are numerous factors, that both individually and in conjunction together, demonstrate why being financially literate is important:

- The burden of making sound financial decisions is being put in the hands of consumers. Many companies no longer offer traditional pension plans which causes employees to take more responsibility and understand the retirement plan options that are available.
- Social Security and the potential for it to be less of a safety net in retirement will have a major impact for most of the working class.
- We are living longer. This means that we must accumulate more money prior to retirement to cover living expenses for a longer period of time.
- There are many more financial options to consider and understand. These options include hundreds of consumer debt cards with differing features, several types of mortgages, different types of retirement accounts, and the ever-growing number of available investment options and products.
- Increasing costs and wages have continued to rise to the point where having an income or retirement "nest egg" that at one point would have appeared more than enough, now just seems barely adequate.

Taken together, many people today are feeling a high level of financial anxiety and are looking for answers. It is never too early or too late to improve your financial literacy. In fact, many are taking control by attending on-site financial education courses that are provided by the Heartland Institute of Financial Education.

Why employers must double down on financial wellness

By Paula Aven Gladych November 06 2016

Employers' focus on employee financial well-being and wellness is not a passing fad. In fact, employers are continually looking for ways to help improve the financial lives of their workforce. That may mean implementing a full-blown financial wellness program at work or finding one or two areas that employees would like to focus on and helping them address those. "For a lot of organizations, financial wellness can seem like a lot to tackle because it encompasses an employee's entire financial footprint," says Megan Yost, head of participant engagement at State Street Global Advisors. "At its core, it is about the importance of saving and planning for shorter and longer term goals."

To measure that, employers have tackled it in three different ways, she says. The first is by reviewing the data they have at

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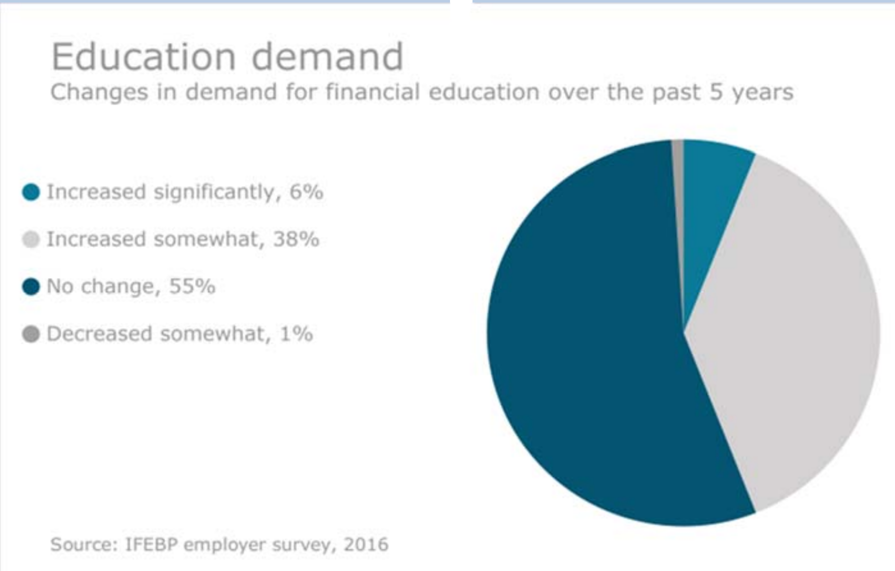
their disposal about employees, like whether they have taken out 401(k) loans, 401(k) hardship withdrawals or had wage garnishments. They also look at national statistics from the Employee Benefit Research Institute and the Federal Reserve and other metrics, like productivity, absenteeism, presenteeism and medical costs.



"They took all this information, compiled it together and formulated a number, the bottom line cost to the organization," Yost says. The company then determines how much it would cost to launch a financial wellness program and what it would save by offering such a program.

The second option is surveying employees to get a sense of their preferences, attitudes, feelings and sentiments. One of State Street's plan sponsor clients surveyed its employees and used the assessment to target and address specific needs through communications events and structured benefit offerings in four categories: retirement, protecting and planning, day-to-day expenses and family and children.

The company hosted an outside social event for millennials in which they were given questions to ask a financial adviser, if they were taking advantage of the financial coaching benefits offered through the organization.

"These were questions employees could ask to get the conversation started. These employees, being new to the workforce and new to managing finances on their own, didn't know where to start," Yost says. "They found the event was well attended and very successful."

The third approach is to start small instead of looking at financial wellness as a huge topic with many component parts.

"Look at what you know," she says. One of her clients knew employees were underutilizing the company's retirement matching contribution. They weren't saving enough to get the full employer match. That inspired them to create a financial wellness boot camp over three days, where they delved into a variety of financial topics, including budgeting, investing, saving, the psychology of spending and being better healthcare consumers.

Hosting a financial wellness boot camp may seem daunting, but employers can start even smaller than that. Host a savings boot camp to get people to save more in their 401(k) or build awareness of other company benefits.

"Try small interventions and see what the results are," she adds. "That can start to help employers build a case for doing more of it, for building resources, for getting additional personnel or budget, whatever can help them make the program bigger and better in scale, scope and magnitude."

Financial wellness is not going to go away, she says.

"I think it is a new mindset in terms of how employers are thinking about employees and their concerns. I don't think that will go away. Student debt is not going to go away for young employees or parents of college students. The underpinnings, the reasons people are stressed about finances, those dynamics aren't changing, so I don't think financial wellness is a fad. It is not the latest super food. It is a change in mindset, particularly with retirement. If you want people to prepare and save enough for retirement, there are

Why employers must double down on financial wellness (cont.)

other headwinds employees face. Those are well-documented," Yost says.

Researchers at the Consumer Financial Protection Bureau have been investigating and defining financial well-being. Its Financial Well-Being Scale allows employers to benchmark financial wellness across their employee population and measure the impact of financial wellness programs.

Employers can use the tool for free.

"As any manager knows, focus is the key to a productive employee. But research has shown that employees distracted because of financial distress are less productive, less organized, and more likely to be absent from work. No employer can hope to run a thriving business if their employees are worried about their own finances rather than the business challenges they must overcome," says Richard Cordray, director of the Consumer Financial Protection Bureau.

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Financial well-being is defined as having control over day-to-day or month-to-month finances, the capacity to absorb a financial shock, being on track to meet financial goals and having the financial freedom to enjoy life, according to the CFPB.

The organization developed a 10-question employee survey to measure their financial well-being. Once employees have taken the survey, employers can look at the results and determine which questions show weaker or stronger results and can then consider adding new benefits or raising awareness of existing ones to address the weaknesses that were discovered through the survey.

Rob Austin, director of retirement research for Aon Hewitt, says that financial well-being is "the ability to pay for short-term finances while also paying for long-term goals and being able to handle the inevitable unexpected bumps along the way."

The CFPB released a report in August 2014 that attempted to determine the return on investment for financial wellness programs. Companies can expect to receive $1 to $3 in their ROI for every dollar spent on a financial wellness program, he says.

The downside of financial wellness programs is that "there are some employees, some Americans, who frankly don't trust sharing everything with their employer or having everything correlated. They are apprehensive to do everything online," Austin says. "Trying to get your arms around a person's financial situation requires a complete picture. If you know a subset of the population doesn't want to share that picture, it makes it difficult for employers to do this."

It is all about finding what will resonate with employees to help them overcome their inertia somehow, he adds. "People won't magically do it even if they know what to do," he says.

Liz Davidson, CEO of Financial Finesse, says it isn't a surprise that financial wellness has taken off like it has. The shift from defined benefit pension plans to defined contribution plans has shifted much of the responsibility for financial security onto the shoulders of the plan participant instead of the employer. Financial wellness programs are a way for companies to continue to help employees achieve financial security.

"We shifted the paradigm for employees but, until recently, we didn't change the amount of education or communication," she says.

Wages are stagnating and healthcare costs are increasing and people have to make decisions on where their smaller pot of money should be focused.

"That's a huge gap and I think employers are recognizing we need to close this gap because in the absence of closing it, employees don't have the tools to effectively manage their pay and benefits so that's where there's a lot of turnover," Davidson says.

Source: http://www.benefitnews.com/news/why-employers-must-double-down-on-financial-wellness

Heartland Institute of FINANCIAL EDUCATION

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HIFE Financial Wellness

The Heartland Institute partners with colleges and universities throughout the United States to provide financial education courses to businesses and their employees, organizations and their members, and even civic and community groups who desire this type of purely educational coursework and information. These courses are taught by CFE Certified Financial Educators® who have both instructional and practical business experience. Our team of certified Instructors work with organizations and their employees to outline financial training that best suits the organization and its needs.

The results of these non-solicitous classes have been amazing. Employees and private citizens who would never take the time to attend a course in financial education are joining their colleagues for class at the community center, office or plant after work. As a further incentive, spouses/partners are invited to join the class for no additional cost.

Whether your employees need help with retirement planning, cash flow planning, debt management, investment planning or other important areas of financial education, we can help.

For more information, please visit our website at www.hife-usa.org

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