Heartland Institute of Financial Education

Instructor's Tutelage

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Financially Distressed Workers

Millions of employees in North America consider themselves to be financially distressed and dissatisfied with their personal financial situation. This stress has a direct correlation with a decrease in employee productivity at work, some examples of this are…

- **Tardiness / Abseentism**
- **Lower employee morale**
- **Lack of focus on strategic goals**
- **Higher disability & worker compensation claims**
- **Increased use of health care resources***

Employers have a responsibility to provide a resource to financially distressed employees. Employers should play an important role in helping their employees improve their financial situation and understanding by offering targeted programs and incentives. For most, the workplace is where employees spend the bulk of their time.

Employers also stand to benefit tremendously from workers' improved financial well-being. Not only are there potential productivity benefits, but it is also likely that health care costs associated with stress can be reduced.

4 Ways to Help Workers Achieve Positive Financial Outcomes

By Cort Olsen ebn, Employee Benefit News

Financial stress is one of the biggest concerns Americans focus on in their daily lives. At least 79% of working Americans reported serious concerns in their lives based around their finances, while the remaining 21% say they are confident planners about their current behavior and future prospects, according to a new study by The Guardian Life Insurance Company of America.

Matthew Bryan, assistant vice president at Guardian, says that they looked behaviors rather than demographics to ascertain emotional and financial confidence of Americans.

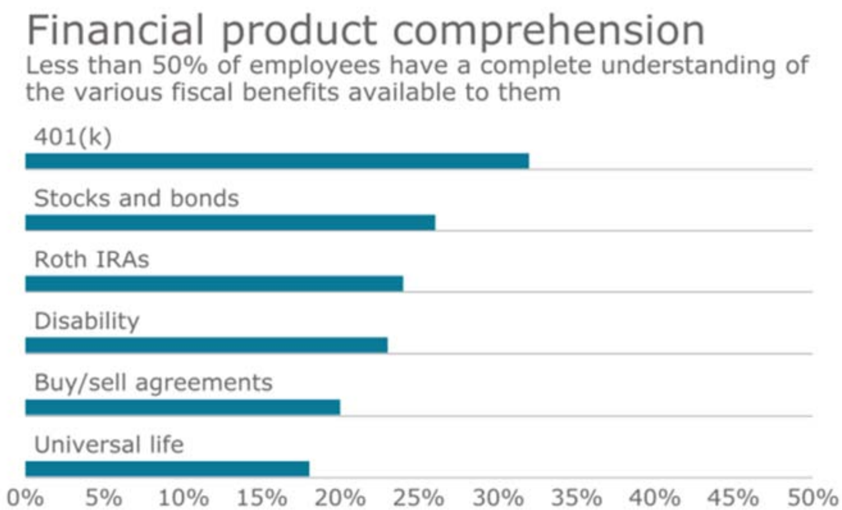
"We learned it's not solely your income that determines confidence, but rather your attitudes and behaviors that are the deciding factors," Bryan says. "By mimicking the behaviors of the most confident Americans, you may be able to achieve more positive life and financial outcomes."

After studying the 21% of surveyors who said they are confident financial planners, Guardian concluded that there are four model behaviors that these candidates exhibited that can be taught by advisers to the other 79% to improve financial confidence. These behaviors are planning, education, ownership and strategic relationships.

Planning
Even among clients who have a written financial plan, many lack core elements necessary for a confident plan. Nearly two-thirds of Americans do not describe

ISSUE GUIDE

4 Ways to Help Workers Achieve Positive Financial Outcomes (cont.)



themselves as being good at living within their means, according to Guardian's study of financial and emotional confidence.

Only half of workers with a financial plan say their plan includes clearly stated financial objectives. Proper planning can help individuals get on track financially now, and in the future. Having a written plan and reviewing it annually can be a sound strategy. According to Guardian, the confident planner segments his or her plan by:

- Staying within their means
- Remaining focused on the long-term rather than the short-term
- Having attainable goals within the long-term plan

Education
For the average working class American, financial literacy is not as high as it should be. There is a correlation between lack of financial literacy and financial product understanding. By answering and asking the right questions, actively and increasing individual knowledge, behaviors and priorities will begin to align. Only a third or fewer of workers assert a solid understanding of many common financial products. A confident fiscal planner, Guardian says, shows an above-average understanding of things such as:

- Financial products like investments, all types of insurance and annuities
- Knowing how much money they will need in retirement to cover expenses apart from healthcare
- Concepts such as budgeting, risk tolerance and asset allocation

"The happiest and least-stressed Americans are the most financially literate, are more likely to have a detailed plan, and own appropriate products to financially protect their families," Bryan says. "Advisers can help by taking a holistic approach that identifies the gaps in their clients' current behaviors and then laying out a blueprint to address those gaps for a more financially confident future that models the behaviors of the most confident Americans."

Ownership
Product ownership is not as high as it should be, as indicated by top life and financial priorities. Solution-oriented ownership of both protection and investing products is part of a well-thought-out wealth management plan for the future.
In order to increase confidence, advisers need to inform clients to own diverse and appropriate products, Guardian says. These products can include:

- Mutual funds, individual stocks and bonds
- Annuities
- Various types of life, disability and business insurance

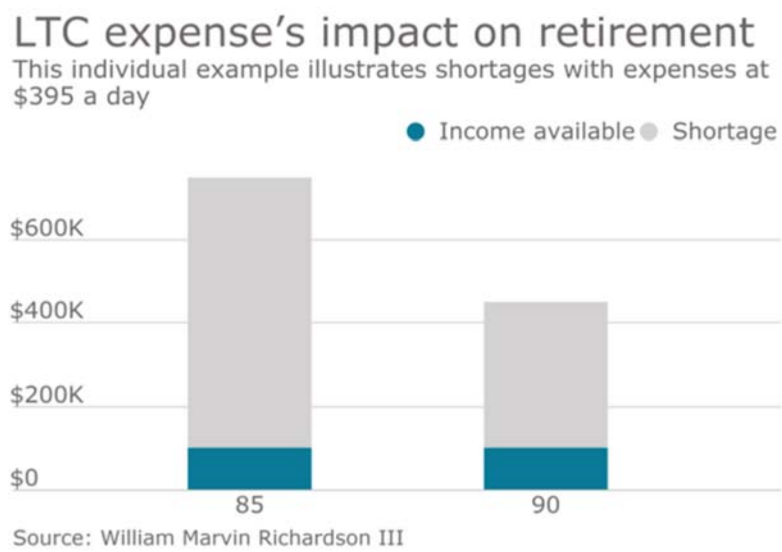
Strategic relationship
Working Americans want retirement income and savings tips. Having a sound financial advice and tools to leverage can help clients move into a better level of fiscal confidence. These income strategies and savings tips are by far the most important areas for which works look to advisers.

The average percentage of Americans who work with a financial adviser is 47%, versus 64% who do not. Having a go-to resource to rely on is a major factor in having financial confidence. With sound strategic relationships, clients will be more likely to:

- Have a strategic relationship with an adviser that they trust to be their financial coach
- Rely on their adviser for strategies to generate retirement income
- Create a holistic financial plan with their adviser

The Impact of Long-Term Care Costs on Retirement Wealth

By Steven A. Plewes   ebn, Employee Benefit News



The financial well-being of clients approaching retirement depends on many factors, some that are within their control and others that are not. With the current increase in life expectancy, long-term care costs are a necessary expense that should be incorporated into every retirement plan. Plans that don't incorporate these expenses can significantly overestimate the sustainability of the plan. However, sometimes it's too late.

In the following case study, I share how not having long-term care insurance changed the retirement plan for my client who is a couple nearing retirement, and how I found creative solutions when needed most. How well equipped are your clients' financial plans to handle long-term care costs?

Planning for retirement with a serious diagnosis
A couple entering retirement sought a comprehensive financial plan and an advisor they could trust to help them manage their money. Both individuals appeared to be in good health, physically and financially, as they had saved well and the husband had a nice pension income. While exploring the need for long-term care insurance, it came to light that the husband had Parkinson's disease. He had postponed making a buying decision until it was too late. The wife was able to get the insurance, but the husband was not, and this became a major stressor on their retirement portfolio. Thus it became time for me to be resourceful.

The solution comes into focus
I researched and discovered there were annuity products that could provide higher income payouts and multiples of that income in the event of a long-term care claim. These products did not require underwriting, so we were able to get a substantial amount of money out of them to provide extra income. Sadly, the situation continued to worsen as the husband's health deteriorated and we faced yet another shortfall of income to cover treatment costs. The wife was forced to move from the retirement community where they lived to a room within her daughter's house.

The takeaway — and a plan of action
Be more emphatic when identifying the real risks that clients could face in retirement, and include long-term care costs. Costs for long-term care are increasing rapidly and experts believe that 70% of people over the age of 65 will eventually need some type of long-term care.

There are innovative products on the market that can provide relief for different situations clients face. As advisors, we need to remain curious and creative in our planning. Try to place clients in the future to help them imagine what the worst-case scenario could look like. In doing this, have an open and honest discussion about the real-life consequences of being "penny wise and pound foolish."

You can draw upon this story, and stories like it from other advisors, to vividly illustrate how not making a

THE HEARTLAND INSTITUTE OF FINANCIAL EDUCATION

8301 E Prentice Ave.
Ste. 312
Greenwood Village, CO 80111

Phone: (303) 597-0197
Fax: (303) 369-3900
Email: info@hife-usa.org
www.hife-usa.org

The Impact of Long-Term Care Costs on Retirement Wealth (cont.)

decision now can leave one vulnerable in the future. Protecting clients with long-term care insurance will not only assist in mitigating their costs, but will help protect their retirement savings.

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.

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