Heartland Institute of FINANCIAL EDUCATION

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Instructor's Tutelage

Financial literacy has become a hot topic in North America especially on the subject of Social Security and the potential pitfalls of government supported programs. It is a clear indication that each person needs to not only be educated but may also need assistance in how to improve and reach their financial goals. A recent work place survey by Purchasing Power shows a serious concern about the impact that one's financial situation can have:

- 80% OF EMPLOYEES WORKING FULL-TIME SAID THEY HAVE FINANCIAL STRESS TODAY
- OF WHICH, 67% INDICATED THE STRESS IS RELATED TO LONG-TERM FINANCIAL NEEDS (SAVINGS, RETIREMENT PLANS, ETC.)
- WHILE 60% SAID THE STRESS IS RELATED TO SHORT-TERM FINANCIAL NEEDS (EVERYDAY LIVING EXPENSES AS WELL AS UNEXPECTED NEEDS SUCH AS CAR REPAIR, APPLIANCE REPLACEMENT, EMERGENCY MEDICAL EXPENSES)

Every company should adopt a financial education program that can assist in mitigating this stress. It will not only help the employees in their personal situation but can also make for a more productive organization.

Target employee financial needs by finding the right technology

By Mark Singer February 15 2017

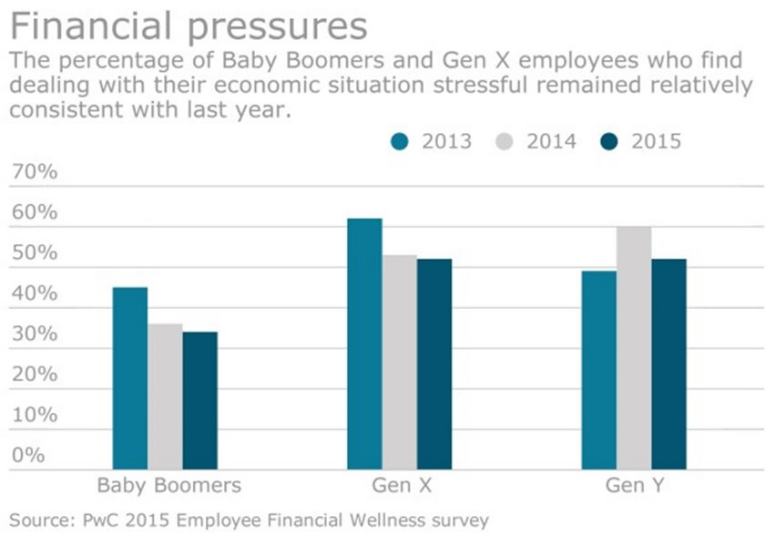
We have seen how a large percentage of the American workforce has an inadequate degree of financial literacy, and how the lack of basic financial knowledge causes personal problems and workplace stress. We have also seen the importance of financial education and how raising employee literacy directly benefits the bottom lines of companies.

The financial health of employees can vary greatly between companies, as can employee numbers. Work schedules and available facilities are other issues of variance. There is also the interest factor to address. Employees must find programs interesting and beneficial, or they will not attend or glean maximum results. Financial wellness programs that may be beneficial and successful for one company may be burdensome and unsuccessful for another. To meet pressing personal financial problems effectively, cutting-edge technologies need to be applied that both address immediate employee issues and limit company expense.

There are numerous new technologies that can be utilized in a mix-and-match fashion that successfully target employee financial needs. This age of the World Wide Web brings a host of financial education tools directly to the audience. Informational videos, virtual learning programs, webinars, training portals and other virtual solutions are easily accessible over the Internet and most are quite user-friendly. This mode of education is significant. For example, 84% of respondents to a survey conducted by Hewlett-Packard and the National Association for Community College Entrepreneurship said that e-tools were valuable. The study went on to show that modalities containing

ISSUE GUIDE

Target employee financial needs by finding the right technology (cont.)



some degree of online training were preferred by 56% of respondents.

Gaming and data

One form of online educational technology that is gaining momentum as well as results is known as game-based learning. This method of learning is particularly popular with the millennial generation that has grown up with an ever-increasing variety of online gaming. In 2008, roughly 170 million Americans engaged in video and computer games that compel players to acquire skills necessary to achieve specific tasks. It has been found that well-designed learning programs that utilize a gaming sequence improve target learning goals. Such games teach basic financial lessons in a fun and innovative way that requires sharpened financial skills to progress through the programs.

Technological tools not only benefit those that are utilizing them directly, but they also assist the entire community through the collection of key data. Many of the mentioned tools embed surveys within programs or collect other data such as age, income and location, which can be used to create even better educational materials or better target groups in need of specialized services.

Employers need to realize that they benefit when they utilize these new technologies in their financial wellness programs, since these tools assist workers in taking control of their financial lives. Thereby reducing their stress levels, which in turn leads to happier and more productive employees. Sometimes it is best to meet the employees where they are, with tools that are easy and fun to use.

Source: http://www.benefitnews.com/opinion/target-employee-financial-needs-by-finding-the-right-technology

How to encourage increased investment in financial well-being

By Cort Olsen February 06 2017

As few as 15% of employers say they are satisfied with their workers' current savings rate in programs such as 401k(s), according to a new report from Aon Hewitt. In response, employers are increasingly focused on increasing savings rates and looking to expand financial well-being programs.

More workplace wellness programs are including a financial component, in which employers aim to help employees with financial issues from budgeting to paying down debt to saving for retirement.

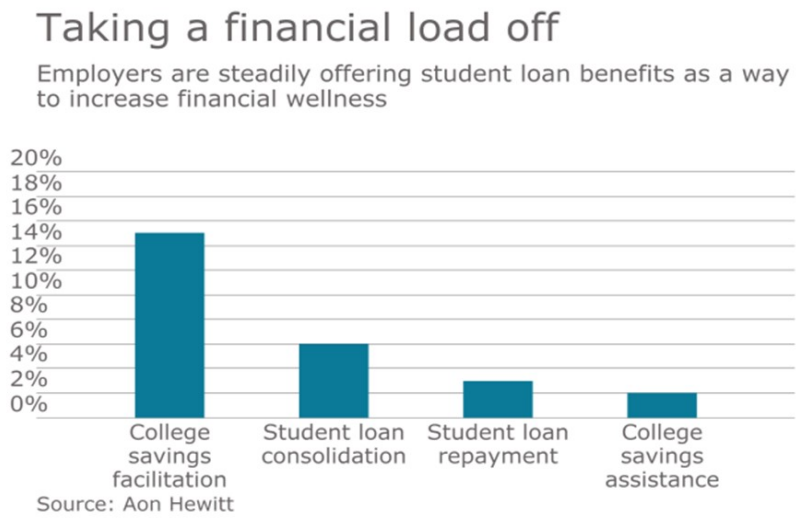
Aon Hewitt surveyed more than 250 U.S. employers representing nearly 9 million workers to determine their priorities and likely changes when it comes to retirement benefits. According to the report, employers plan to emphasize retirement readiness, focusing on financial well-being and refining automation as they aim to raise 401(k) savings rates for 2017.

Emphasizing retirement readiness

Nearly all employers, 90%, are concerned with their employees' level of understanding about how much they need to save to achieve an adequate retirement savings. Those employers who said they were not satisfied with investment levels in past years, 87%, say they plan to take action this year to help workers reach their retirement goals.

"Employers are making retirement readiness one of the important parts of their financial wellbeing strategy by offering tools and modelers to help

How to encourage increased investment in financial well-being (cont.)



workers understand, realistically, how much they're likely to need in order to retire," says Rob Austin, director of retirement research at Aon Hewitt. "Some of these tools take it a step further and provide education on what specific actions workers can take to help close the savings gap and can help workers understand that even small changes, such as increasing 401(k) contributions by just two percentage points, can impact their long-term savings outlook."

Focusing on financial well-being

While financial wellness has been a growing trend among employers recently, 60% of employers say its importance has increased over the past two years. This year, 92% of employers are likely to focus on the financial well-being of workers in a way that extends beyond retirement such as help with managing student loan debt, day-to-day budgeting and even physical and emotional wellbeing.

Currently, 58% of employers have a tool available that covers at least one aspect of financial wellness, but by the end of 2017, that percentage is expected to reach 84%, according to the Aon Hewitt report.

"Financial wellbeing programs have moved from being something that few leading-edge companies were offering to a more mainstream strategy," Austin says. "Employers realize that offering programs that address the overall wellbeing of their workers can solve for myriad challenges that impact people's work lives and productivity, including their physical and emotional health, financial stressors and long-term retirement savings."

The lessons learned from automatic enrollment are being utilized to increase savings rates. In a separate Aon Hewitt report, more than half of all employees under plans with automatic enrollment default had at or above the company match threshold. Employers are also adding contribution escalation features and enrolling workers who may not have been previously enrolled in the 401(k) plan.

"Employers realize that automatic 401(k) features can be very effective when it comes to increasing participation in the plan," Austin says. "Now they are taking an automation 2.0 approach to make it easier for workers to save more and invest better."

Source: http://www.benefitnews.com/news/how-to-encourage-increased-investment-in-financial-well-being

Coping with student loans in retirement

By Editorial Staff February 02 2017

How to cope with student loan debt in retirement

Pre-retirees are advised to weigh their options before applying for a student loan to fund their child or grandchild's college education, according to this article on U.S. News & World Report. They should also avoid co-signing for a student loan, as they will assume the responsibility if the borrower fails to pay. Clients who are approaching retirement should avoid a default in student loan payments and consider signing up for an income-driven repayment scheme. Retirees who are on Social Security can expect the federal government to garnish a portion of their benefits if they fail to make student loan payments.

The missing step to getting out (and staying out) of debt

Holding a spending account can be the key to living a debt-free life, as it will help people avoid using their credit cards, according to this article on Forbes. To do this, clients should open a savings account funded through automatic payment or payroll deduction. They should set a specific amount to put in the

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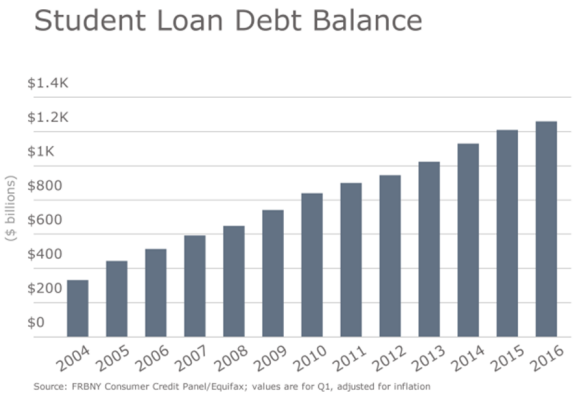
Coping with student loans in retirement (cont.)



account for spending.

The 3 biggest tax mistakes retirees make

One of the biggest mistakes that retirees make about taxes is that they forget about paying their tax dues on Social Security benefits and other earnings as well as making the most of all the tax breaks available to them, according to this article on Fox Business. Many retirees who turn 70 1/2 also fail to start taking required minimum distributions from their tax-deferred retirement accounts, forcing them to pay the hefty tax penalty aside from the income taxes on the distributions. Many seniors also miss out on the tax breaks for medical expenses, as they are unaware that some of these costs are tax deductible.

Pulling the curtain back on those 401(k) fees

401(k) participants face various fees to cover the costs for managing the plan, the expenses associated with investing their savings, and the cost for providing loan and other individual services, according to this article on Cincinnati Enquirer. Clients who change jobs should consider moving the funds if the current plan has a limited investment menu and the new plan offers better investments and services at lower costs.

Here's what clients need to know about required minimum distributions and taxes

While people can defer taxes on a portion of their income by contributing to a 401(k) plan and a traditional IRA, they are required to start making mandatory distributions when they reach 70 1/2, according to this article on Motley Fool. These required minimum distributions are taxable income and could boost their tax liability in the future. Retirees should ensure that they follow the rules to avoid the penalty, which is 50% of the RMD amount, and they may want to convert some traditional IRA funds into a Roth to reduce the RMD and prevent an increase in their taxable income.

Source: http://www.benefitnews.com/news/coping-with-student-loans-in-retirement

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