Heartland Institute of FINANCIAL EDUCATION

Instructor's Tutelage

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The Importance of a quality Workplace Financial Education Program

There are many difficult and confusing decisions employees must make as they plan their financial future. Trying to blend their company benefits, Social Security, savings and investments for a secure future can be a daunting task to do alone. Employees appreciate working for an organization that is concerned with their total well-being and offers soft benefits such as convenient, low-cost financial education that is taught in a non-solicitous manner, meaning that there is no selling or promoting of any product or company.

The best financial education programs are designed to teach employees how to lay the groundwork for a more financially secure future. This should cover a variety of important financial topics that apply to most employees and their families as well as being structured to be interactive, allowing ample time for employees to understand how to apply their new knowledge.

Many people feel unprepared to plan for their future adequately and they know time is running out. People want to take action to be responsible and by providing a quality workplace financial education program each employee can have more confidence to accomplish that desire. Providing the opportunity for employees to attend classes on-site will help them take the first step to making a positive change in their financial lives.

Millennial Women Falling Behind When it Comes to Financial Wellness

Paula Aven Gladych ebn, Employee Benefit News Oct. 2016

There is a major gap between what millennial men and women need to save for retirement, even assuming they were both paid the same for the work they do, according to the 2016 Gender Gap in Financial Wellness Study put out by Financial Finesse.

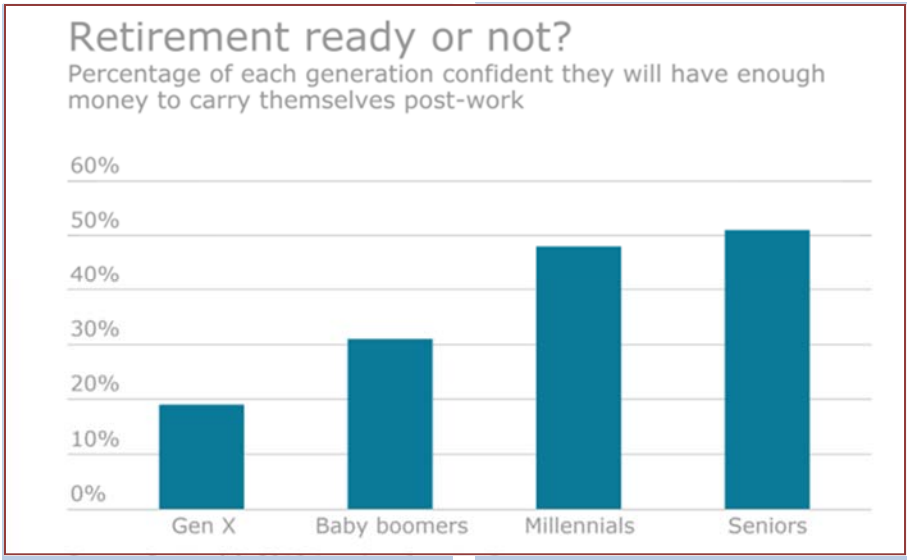
"Although we assume pay parity for the typical 25-year-old, there is a 28% gap in the additional retirement savings needed to cover estimated retirement expenses primarily due to women's greater life expectancy," says Liz Davidson, CEO and founder of Financial Finesse. That doesn't take into account the fact that many women leave the workforce at different points in their lives and the impact those sabbaticals can have on their future savings. "When you add a career break on top of that, the gender gap in financial security is huge. Women need to know this so they can take steps to minimize the financial impact of important life decisions," she says.

The study found that women who take breaks early on in their careers — to have a baby or take care of a loved one — face a potential retirement shortfall of nearly $1.3 million.

"The reality is women are more at risk because of longer lifespans and because of the life choices, at least right now, they are more likely to make than their male counterparts," Da-

ISSUE GUIDE

Millennial Women Falling Behind When it Comes to Financial Wellness (cont.)



vidson says. "That's the situation. It doesn't mean every woman is more at risk than every man. Everyone is different."

Employers are stepping up to the plate when it comes to helping employees close the gender gap in financial wellness, but Financial Finesse points out that women need to save an estimated 12.6% of pay to be on track to meet estimated average expenses in retirement.

Because women are more at risk, the key for employers and women is to be more aware of it and take preventative action, she adds.

"You can complain about it or do something about it. It is what it is," Davidson says. It is important for women to understand how important self-sufficiency is to them. Once they understand the gender gap, they are more likely to save more and invest more aggressively.

The demands of diversity

It is also important for employers to understand that is a dynamic, according to Davidson. Targeting education around different segments of their workforce is important, especially targeting women and millennials.

Many large employers are looking for ways to foster a more diverse workforce, including more women. As part of that effort, they need to create a structure that works for the company and its employees.

"As part of that, we are starting to see more planning, equipping women with information and guidance to help them plan for the career break they may decide to take, so those career breaks don't jeopardize their financial security," Davidson says. "Every man, every person should be able to craft a life they want to have, within reason."

Millennials are at the beginning of their careers so it is most important that they take these things into account when planning for their futures, she says.

Engaging millennials

As millennials because the largest percentage of the workforce in America, employers are grappling with how best to engage them.

"How do we engage our millennial population? We're hearing more about turnover being a challenge. How do you create this work environment and culture that really engages your top talent and, in many cases, the focus, with technology, is often among millennials and looking to them as future leaders when they plan for the future," Davidson says.

Millennial women and their employers have time to make progress on the gender financial wellness gap.

"The reality is it is more expensive to be a woman. It just is, and it is knowing that and planning for it," she says.

"We help them understand that even if all else is equal, healthcare costs and life expectancy will likely be higher, so they will have to save more for retirement," says Kelley Long, a resident financial planner with Financial Finesse and lead researcher on gender issues for the firm's Think Tank. "If they're going to take a career break, they need to prepare for it as soon as possible."

According to Long, a recent Wells Fargo survey found that 44% of millennial women have not started saving for retirement, yet many expect to experience a break in pay at some point in their career.

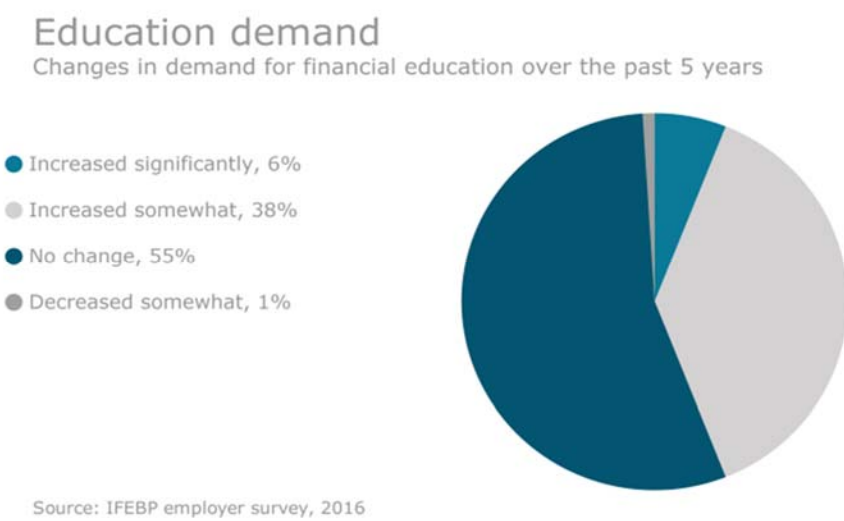
"The gender gap in retirement preparedness is real," says Davidson. "Employers are at the forefront of this issue, which is why they are uniquely suited to address it. They can help women — especially millennial women — close this gap by offering early financial mentorship to help them prepare for what might be ahead so they can make life choices without jeopardizing their retirement security."

Employers Must Partner With Employees to Fight Financial Stress

By Paula Aven Gladych **ebn, Employee Benefit News** **Oct. 2016**

Companies can save money by helping employees combat financial stress.

According to Financial Finesse's "Workplace Financial Wellness: ROI Special Report," the authors found that "employees who suffer from overwhelming financial stress or struggle to maintain financial stability tend to incur both immediate and future financial costs for their employer in the form of absenteeism, garnishments, payroll taxes and delayed retirement."



The report studied the effects of one Fortune 100 company's financial wellness program from 2009 to 2014 and found that as employee financial health improves, an employer's costs go down. Financial Finesse did not identify the Fortune 100 company.

Data for the report was gleaned from Financial Finesse's online financial wellness assessment that is taken anonymously by employees of companies that implement Financial Finesse's comprehensive financial wellness program. More than 5,500 workers were included in this study.

In the report, employees were ranked on a scale of 1 to 10 on how financially well they were. They took a short survey to assess how well they did at budgeting, contributing to a retirement account and their debt load. Most respondents were somewhere in the 4 to 6 range, meaning they were either struggling at financial wellness or stabilizing their finances.

Employees who have the lowest level of financial wellness take more unplanned days off than those with a higher level of financial wellness, the report found.

"There is a linear relationship between absenteeism and improvements in an employee's financial wellness score," says Cynthia Meyer, resident financial planner at Financial Finesse. "As the employee's financial wellness improves, we see a direct correlation in the reduction in absenteeism."

Financial stress can affect a person's health in a myriad of ways, so they get sick and need to take leave. Financial issues, such as unpaid parking tickets or worries over keeping the lights on can also cause financial stress. This either translates into more days off from work or employees who are distracted by their woes at work and therefore are less productive.

If an employee is having financial difficulties and other entities begin garnishing their wages, that not only costs an employee much-needed cash flow but it costs the employer money as well, to the tune of $300 to process each garnishment, says Linda Robertson, director of planner operations at Financial Finesse.

"Over half (54%) of the population studied had a financial wellness score of 4 to 6," the report found. To improve those scores by at least 1 percentage point, employees established an emergency fund, calculated the need for and/or purchased life insurance or paid off their credit card balances in full.

Employees who had a financial wellness score of 0 to 2 cost their employer an average of $198 per year. Those with a score of 3 to 4 cost their employer about $94 per year. Those scoring in the 5 to 6 range didn't cost employers anything and those with higher financial wellness scores actually saved their employers money, Financial Finesse found.

Companies with 50,000 employees could save nearly $2.2 million in absenteeism costs just by moving employee financial wellness scores from a 4 to a 5. If they moved from a 4 to a 6, the savings was nearly

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Employers Must Partner With Employees to Fight Financial Stress (cont.)

$4.3 million, according to Financial Finesse.

Financial Finesse said in its report that employers can help their workforce improve their financial wellness scores by offering education on topics such as personal finance basics, retirement planning and investment planning. Another option is to offer one-on-one counseling to help them get unstuck, says Meyer. For employees who wanted to improve their financial wellness score from 5 to 6, many developed a master asset allocation strategy, rebalanced their investment accounts or took a risk tolerance assessment.

"Not surprisingly, there was a 61% increase in the percentage that feels confident in their investment allocation," the report found.

Meyer adds that there is a "strong positive linear correlation between improvements in employee financial wellness and increased referral rates into a 401 (k) and other retirement plans, particularly for millennial employees. If you can help them in their 20s improve their overall financial wellness, they are going to have a significant bump up in their retirement nest egg over time."

People who improve their financial wellness score from a 4 to a 5 can increase their retirement savings by more than 12% over the life of their 401(k), she said. And if they can move from a 4 to a 6, that is almost a 28% improvement in lifetime savings.

Employees who are financially stable and have enough saved up in their retirement accounts should be able to retire on time, which benefits them and their employers.

"According to our own past research, the cost of delayed retirement is $10,000 to $50,000 per employee who wants to retire but is not able to," Meyer says. That's because of higher health care costs and lower productivity at work.

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Empowering Organizations and Their People Through Financial Education