Heartland Institute of FINANCIAL EDUCATION

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Instructor's Tutelage

Financial Education: The Cost and Benefit

"The return on investment for employers who even slightly improve the financial well-being of employees is $450 per individual through lower absenteeism and more productivity."
E. Thomas Garman, Professor Emeritus Virginia Tech, finds a 9 to 1 dollar return on investment for employer sponsored work-place financial education.[1] Professor Garman also notes that "A worker who is financially distressed is taking a direct bite out of the organization's profits. In fact, 4 out of 5 workers use work time to deal with financial issues." And there are other benefits as well. Below are 4 key findings for those who attended a workplace financial education course:

1. 34% reported that they started contributing to their 401(k) retirement plan.

2. 45% said they increased the amount of their retirement contribution.

3. 56% reported their financial situation had improved.

4. 75% reported making better financial decisions.

These behavioral changes in workers translate into lower absenteeism, higher productivity and potentially lower health care expense.

1. Source: Workplace Financial Education Improves Personal Wellness

Workplace financial wellness programs are growing

Survey: 6 out of 10 American workers feel stressed about finances

By Warren S. Hersch Aug 03, 2016

Many employees continue to underestimate how much they'll need in retirement. Sixty-one percent of workers peg the requisite nest egg at less than $1 million.

The ability to make additional contributions to their 401(k) plans, receive cash incentives and secure discounts on health insurance premiums and other products are among the top incentives that workers want their companies to offer.

So reveals Bank of America Merrill Lynch in a new survey, "2016 Workplace Benefits Report: Empowering and encouraging employees to plan for their future." Conducted by Boston Research Technologies, the online survey polled 1,227 employees (all participants in 401(k) plans) in October and November of 2015 on behalf of Bank of America Merrill Lynch.

A notable finding of the research is the degree of financial insecurity among most employees. Three in four survey respondents report feeling "not at all secure" (41 percent, up 10 percent from 2013) or "not very secure" (34 percent). Only a quarter are somewhat secure (17 percent) or very secure (8 percent).

Kevin Crain, head of workplace financial solutions at Bank of America Merrill Lynch, attributes this insecurity in part to a "still struggling" economy, stagnant wages and tight household budgets. Yet — and this is a key finding of the report — financial security rises as people take steps to manage their finances and plan

ISSUE GUIDE

Workplace financial wellness programs are growing (cont.)

for their financial future. “When employees engage in employer-sponsored benefits programs — when they use the programs to plan for the future and take action on the planning — they feel more secure,” says Crain. "When they don’t take steps, they feel less secure.”

That lack of action leads to greater uncertainty about finances, and more stress. Six in 10 employees polled by BoA/Merrill Lynch report feeling “somewhat” or “very stressed” about their finances.

Much of the stress stems from budgetary shortfalls. Nearly 3 in 10 survey respondents (and almost 4 in 10 millennials) say they have an “unmanageable amount of debt.” Such liabilities leaved them financially exposed: Eight in 10 workers say that being away from work would be “difficult” or set off a “major crisis.”

To ward off the worst, and put their finances on sound footing, more workers are turning to benefits programs. And, critically, they’re engaging in planning.

That’s evident in the stark differences the study observed between “very secure” and “not at secure” employees. The first group is more likely than the second to have a firm grasp of how much savings they’ll need for retirement (71 percent as compared to 7 percent, respectively). They’re also more likely to have a strategy to spend-down savings in retirement (69 percent vs. 18 percent), and to think about health savings accounts (HSAs) as a long-term medical savings vehicle.

Says Crain: “People who plan, are more secure and contribute to [employer-sponsored] retirement programs think they’ll need a lot more at retirement.”

Employees who use workplace financial planning tools tend to be better prepared for retirement than those who don't.

Just how much retirement savings do well-prepared American workers believe they'll need to fund their golden years? More $1 million, or about $40,000 annually.

At the same time, many employees continue to significantly underestimate how much they’ll need in retirement. Sixty-one percent of workers peg the requisite nest egg at less than $1 million. And 40 percent think they can get by on less than $500,000 — this despite the fact that healthcare costs in retirement are (according to HealthView Services) forecasted to top $400,000 for a couple retiring at age 65.

To cover rising healthcare expenses, more employers are availing their workers of health savings accounts. Typically paired with high-deductible health insurance plans, HSAs let employees pay for qualified medical expenses with tax-free dollars. Employees also can set aside unused dollars for post-retirement healthcare expenses or (subject to income tax) cover other retirement needs.

That winning combination, says Crain, helps explain why HSAs are among the fastest-growing employer-sponsored programs: There are now more than 15 million such accounts nationwide.

The percentage of employees surveyed by BoA/Merrill who say they participate in HSAs grew by almost half over a two-year period: In 2015, participation stood at 54 percent, up from 38 percent in 2013.

But Crain notes that workers (most notably millennials) are still largely using HSAs to cover short-term medical bills: Just over half of HSA participants (53 percent) consider them short-term health savings vehicles, as compared 43 percent who see them as long-term vehicles.

“Account holders are mostly using HSAs like flexible spending accounts,” says Crain. “They're spending the money right away on medical expenses rather than letting the savings accumulate for the long-term like a 401(k) plan.”

Crain adds that he thinks this will change over time as HSAs become more tightly integrated with 401(k) plans, and if amounts that employees are eligible to contribute to the accounts increase. He points to a proposal before Congress to double the yearly contribution cap.

Whether the long-term dollars that younger plan participants put aside will carry them through retirement remains an open question. Crain notes millennials are “good savers” but “not happy investors.” As a result, they tend to favor more conservative investments like money market and stable value funds, and eschew more growth-oriented vehicles that should be part of a well-rounded portfolio.

He’s confident that millennials and other plan participants will transition to these more diversified investment strategies as more of them take advantage of employers’ benefits programs — and as the companies ramp up efforts to educate workers about the programs.

Workplace financial wellness programs are growing (cont.)

Although an increasing number of American workers are using a health savings account, many fail to recognize their HSA as a long-term financial planning tool. (Photo: iStock)

Employers are playing an increasingly active role in making their workers aware of "financial wellness programs" or financial management assistance. The initiatives encompass online tools like financial calculators, and access to financial service professionals who can provide pre-retirement and more generalized planning.

Online tools are most popular among millennials (65 percent are comfortable using them, as compared to 42 percent of boomers). They also edge out boomers in saying they want access to a one-on-one relationship with financial professional (54 percent versus 48 percent, respectively).

"All age groups want delivery of one-on-one financial planning via an advisor," says Crain. "That's been a major evolution in the workplace."

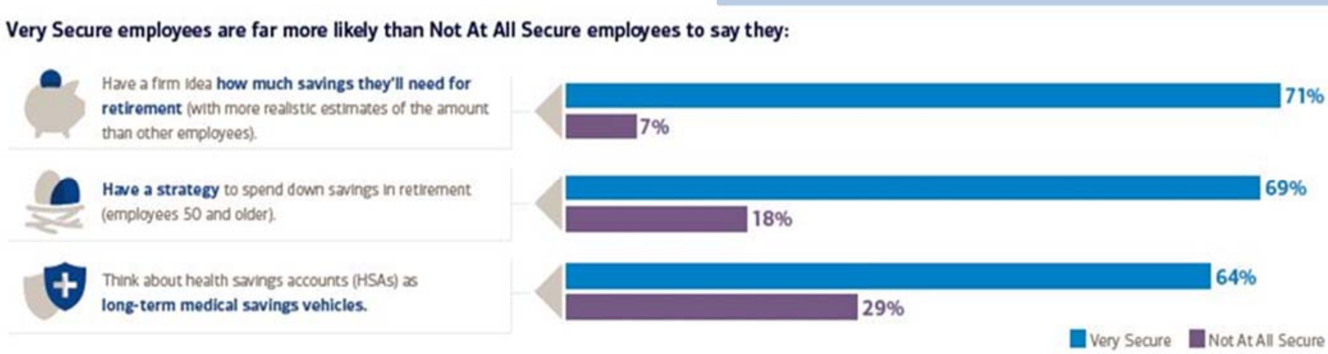
A growing number of employers are only too happy to oblige. Nearly half of employers surveyed offer access to advisors through a financial wellness program. And 7 in 10 companies that offer financial wellness incentives believe they're effective.

For insurance professionals active in the worksite space, these positive changes point to one thing: more opportunities to educate employees about their protection products — life, disability income, long-term care, among other insurance products — and to do so during periods when employees are most tuned into their offerings.

"Companies are increasingly using benefits enrollment periods to communicate about protection products within the broader context of physical and financial wellness," says Crain. "That represents a paradigm-shift."

http://www.lifehealthpro.com/2016/08/03/workplace-financial-wellness-programs-are-growing

Photo: iStock



Bracing for the election: Retirement planning takes conservative stance

By Michelle Zhou August 18 2016, 2:24pm

With less than three months until the presidential election, there is considerable angst among advisers working on their clients' retirement plans.

"There are too many scenarios to plan for with this year's election," one planner wrote in response to Financial Planning's latest survey, which asked 330 advisers, "How will the outcome of the US election impact retirement planning, and what actions are you taking now?" One respondent says "clients are nervous about the aftermath (of the upcoming presidential election) and looking for more principal protection." (Bloomberg News)

While some are choosing to sit tight and wait for the outcome before making any decisions, many advisers said they are taking a more conservative approach to protect their clients' assets.

"Clients are nervous about the aftermath and looking for more principal protection," said one wealth manager. Another said he has "taken money off the table" and postponed injecting new cash flow to make sure clients are positioned defensively in case of a negative market reaction.

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Bracing for the election: Retirement planning takes conservative stance (cont.)

Trump or Clinton: Either outcome spells turbulence for advisers' practices

Trump plans tax revolution and regulatory rollback

Hillary Clinton's Fix for Short-Termism? They Tried It in 1934

Clinton Proposes Plan to Reduce College Costs by Limiting Tax Deductions

Several planners said the impact will vary greatly depending on which candidate wins. Some advisers worry a Trump victory would cause high volatility and possibly a market downturn.

"I think Wall Street is already assuming a Hillary victory. So, if she wins, the impact will be minimal. If Trump wins, I think there could be a much higher risk of volatility," one adviser said.

Another adviser predicts that Trump could cause "devastating effects across equity and bond markets due to his bellicose rhetoric."

Conversely, planners are forecasting heavier capital gains and estate taxes if Clinton takes office, affecting those serving the ultrahigh and high-net-worth segments. One adviser reported her clients are considering moving to states with lower tax rates. Another discussed trust structures and alternative estate planning options. One wealth manager is choosing to stay optimistic, saying that these tax hikes would "make [advisers] much more needed."

To hedge against anticipated volatility, one planner said they were diverting funds away from growth stocks and into dividend-paying stocks, as well as investing more in U.S. and international REITs. Another is advising against foreign investments unless clients have the appropriate risk profile. Indeed, many advisers said clients are hesitant to invest abroad because of political events and global upheaval, according to the latest edition of the Global Asset Allocation Tracker, which recorded a negative reading for the second month in a row.

http://www.financial-planning.com/news/bracing-for-the-election-retirement-planning-takes-conservative-stance?utm_medium=email&utm_source=newsletter&utm_campaign=Aug%2019%202016-daly&eid=a2a362441dd22a75d563cca2858a0fb6