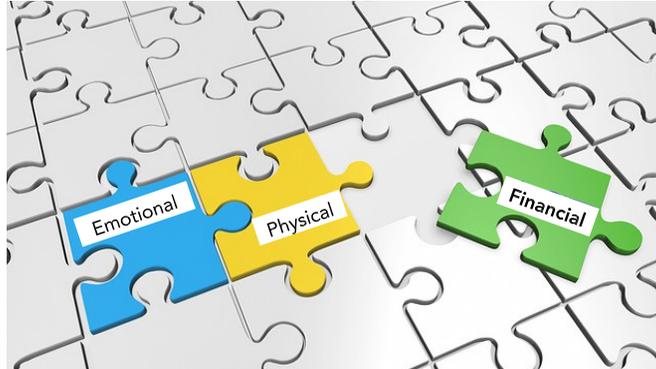


# Employee Financial Wellness: Key Connection to Business Growth



*Exploring the direct connections between employee financial, physical and emotional health and the company's bottom-line growth – with tips on how to improve*



A whitepaper by Greg S. Lavin, CLU, CRPS®,  
Retirement Plan Specialist/Wealth Management Advisor,  
Onward Financial Network



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# Executive Summary

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Since 2010, the “Affordable Care Act” has been providing employer incentives to encourage workers to join a wellness program. This legislation, the high costs of health care and the proven positive impacts of behavior on health, have all merged, causing an explosion in health wellness programs.

However, creating a healthy workforce requires more than just a focus on improving physical and emotional health. It’s not possible for a workforce to be truly healthy, strong and productive unless they are financially well also. A financial wellness connection is key because financial health directly impacts physical and emotional health.

Employers expect average employee per-year health care costs to rise to nearly \$13,000 in 2017.  
- Willis Towers Watson Best Practices in Health Care Employer Survey 2016

## ***Financial stress the #1 cause of stress in the United States***

Stress is the root cause of many of the physical and emotional ailments upping employee health care and other benefit costs. Employees admit stress is having a negative impact on their health, job productivity and relationships. Not addressed, employer costs from employee financial stress can become a large unfunded liability down the road.

Today, employers of all shapes and sizes are finding ways to help improve employee financial health, along with physical and emotional health, through their benefit packages. These employers no longer think of employee benefits as a cost to be controlled but instead, a strategic way to improve their bottom-line.

Investing in a financial wellness program is investing in the long-term viability of your business. Giving employees a solid retirement plan program and the tools and services to help reduce their financial stress can be a competitive advantage.

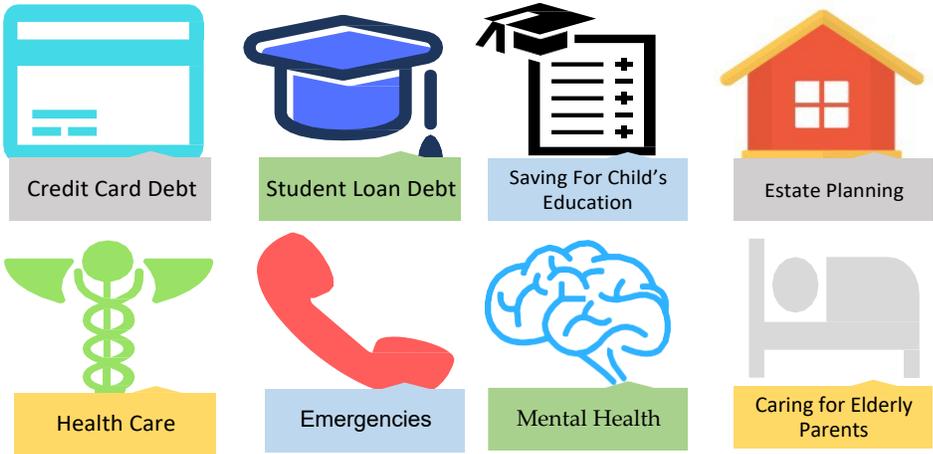
Improving employee financial wellness takes time, but the payoffs can be big. This whitepaper will help you understand the facts.

# Financial Wellness

Financial wellness helps employees take care of both their short-term and long-term financial needs while saving for mid- and long-term goals. It's a deeper, holistic look at financial planning that includes:



Financial wellness addresses all financial issues preventing employees from saving for retirement and achieving short-term and long-term financial stability:



## Employee Financial Well-Being is Challenged

Increased life expectancies and health care costs are a growing burden for workers and employers. In 2016 the average life expectancy for a man is 76 and for women is 81. The cost of health care insurance is expected to rise by an average of 25% in 2017<sup>1</sup>. And, our aging population, many without adequate savings, are leaning heavily on younger generations to close the saving and health care cost gap.

Premiums for employer-provided health insurance increased 59% since 2000.  
– Labor Market Effects of Rising Health Insurance Premiums National Bureau of Economic Research Working Paper No. 11160

**"22% of adults are financially responsible for supporting parents or in-laws<sup>2</sup>"**

## "36% of Americans have \$0 saved for retirement"<sup>3</sup>

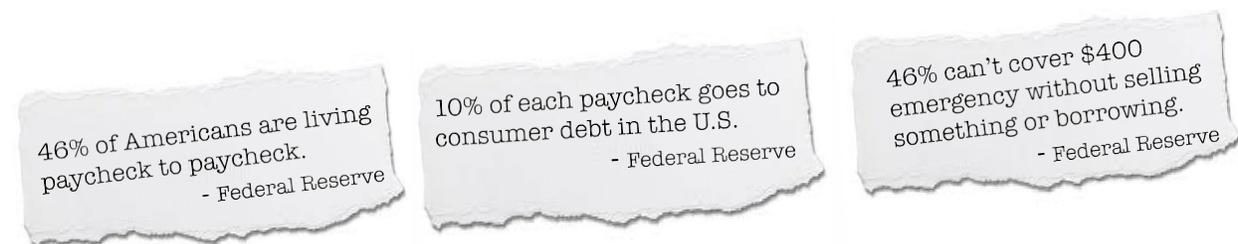
Many employees are only one paycheck away from a financial disaster. The majority of workers are not saving enough for retirement which is negatively impacting their financial future.



Source: Ruth Helman, Craig Copeland, and Jack VanDerhei, "The 2016 Retirement Confidence Survey—Worker Confidence Stable, Retiree Confidence Continues to Increase," EBRI Issue Brief, no. 422 (Employee Benefit Research Institute, March 2016).

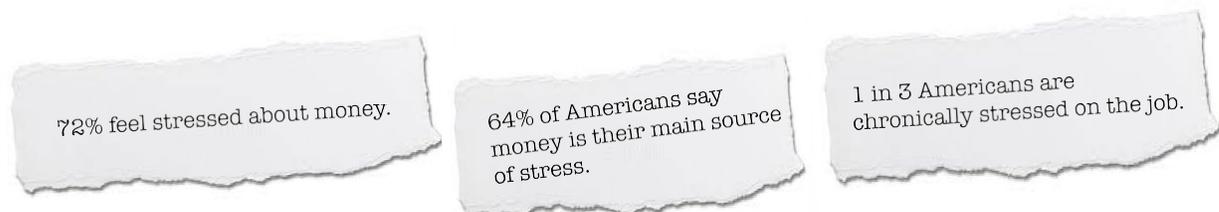
For 62% of beneficiaries 55 and older, Social Security accounts for more than half of their income<sup>4</sup>. More than a third of those folks rely on Social Security for 90% of their income<sup>5</sup>. The average monthly benefit is around \$1,300<sup>6</sup>. With the cost of living rising, health care costs soaring and Social Security not keeping up with inflation, the monthly checks are not enough to support a retiree, let alone a retired couple.

## Workers of All Income Levels Are Struggling



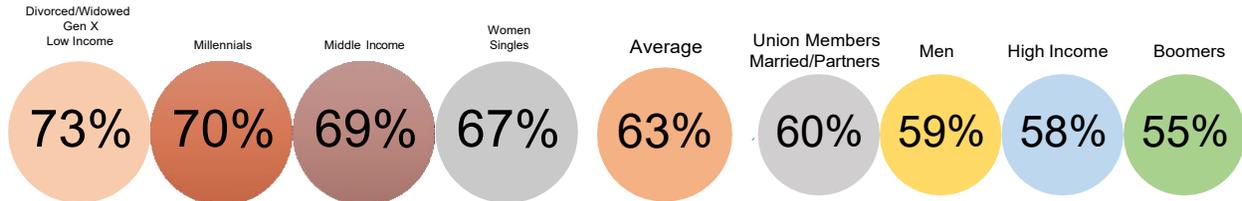
## Financial Stress #1 Cause of Stress in United States

The American Psychological Association has been conducting its "Stress in America" survey<sup>7</sup> since 2007 and money has been named the top source of stress for the last six years in a row:



"45% say their stress level has increased over the last 12 months"<sup>8</sup>

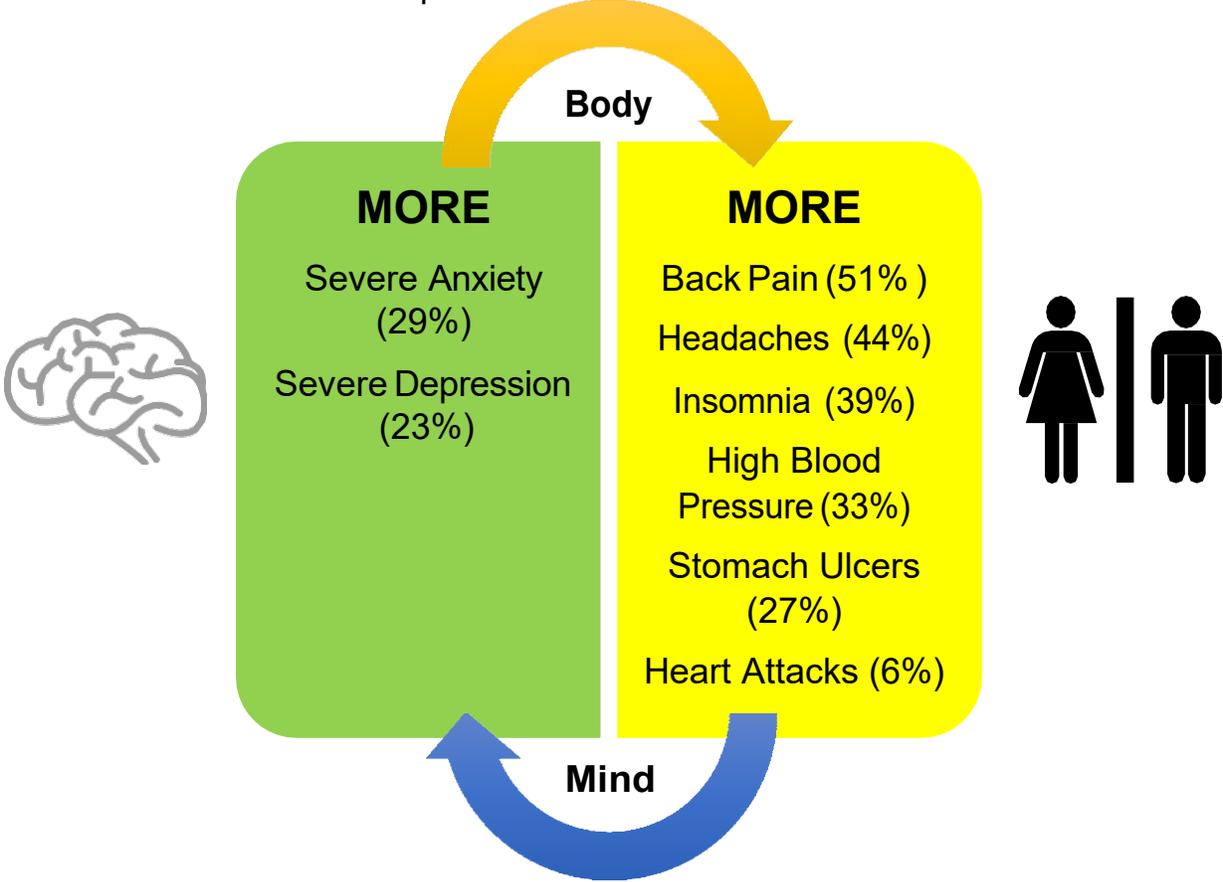
# No Adult Immune to Financial Stress



Source: John Hancock Retirement Plan Services Financial Stress Survey conducted by Greenwald and Associates 6/15/2015-7/7/2015.

# Link Between Stress and Physical and Emotional Health

People with high stress levels experience MORE physical and emotional health problems than those with low stress levels



Source: AP-AOL Health Poll: Debt Stress: The Toll Owing Money Takes on the Body and end note<sup>9</sup>.

**“Health care costs are 46% higher for workers with high levels of stress<sup>10</sup>”**

# Financial Stress and Direct Employer Costs

**“Financial stress costs employers \$15,000 per affected employee per year<sup>11</sup>”**

Stress is the core cause of many employer costs that weaken the workforce and reduce productivity:

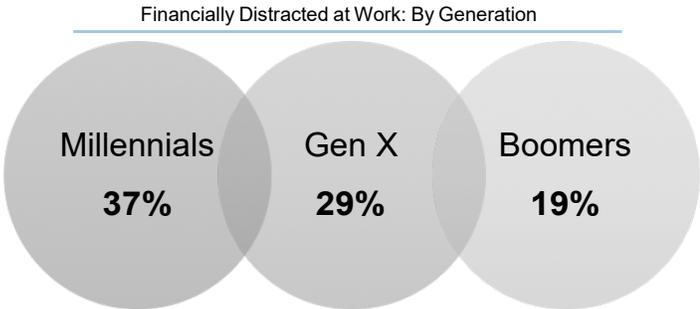


- Stress as a reason for absenteeism has increased 300% since 1995 and employees with higher levels of stress are less committed to their organization<sup>12</sup>.
- 46% of financially stressed employees spend 3 or more hours a week thinking about or dealing with personal financial issues at work<sup>13</sup>.
- Financially stressed employees need to work longer, retiring later, costing more in health benefits and salary.
- Health care costs are higher and 75% to 90% of all doctor visits are stress related<sup>14</sup>.
- An estimated 60%-80% of on-the-job accidents are caused by stress-related distractions<sup>15</sup>.
- Stress related workers’ compensation claims are uncommon, but it’s not uncommon for employees to take time off for “work-stress.”
- People with debt are 3 times more likely to have mental health problems such as depression, anxiety and psychotic disorders<sup>16</sup>.
- Financially stressed employees are more apt to change jobs often, looking for short-term gains to improve their immediate finances.
- Financial stress can cost 10% of HR payroll budget as HR handles the variety of employee issues that arise due to financial stress<sup>17</sup>.
- Stressed and anxious employees are more prone to unethical behavior at work<sup>18</sup>.

**Monthly Health Benefit Costs (Couple Age 65)**

Age 65 = \$644  
 Age 70 = \$884  
 Age 75 = \$1,239  
 Age 85 = \$2,387

– HealthView Insights  
 2016 Health Care Costs Data Report©



Source: PWCs’ Employee Financial Wellness Survey, 2016 Results.

### Credit Scores: A Predictor of Financial Wellness

Credit scores are an accurate predictor of financial wellness. Financially stressed employees generally have lower credit scores and studies show, employees with low credit scores are generally more expensive, i.e. late on loan payments, more salary advances, etc. Today, car insurance companies are using credit scores to determine individual car insurance premiums and track key financial indicators like:

- Lines of credit and loans
- Amount owed
- Credit history

Poor credit increased car insurance premiums between 76% and 123%.  
- NerdWallet 2016 Report

### Financial Stress and Lost Work Hour Example

The average number of yearly sick days taken by employees each year is 4.9<sup>19</sup>. Assuming an 8-hour work day, 5 days a week and 52-week schedule, that's 39.2 hours per year. If a financially stressed employee spends 3 work hours a week dealing with personal finances, that's 156 hours per year. The 2016 Bureau of Labor Statistics lists the average employer cost for employee compensation as \$34.05 per hour. The chart below illustrates yearly employer costs for each.



# Employees Need and Want Financial Help Benefits

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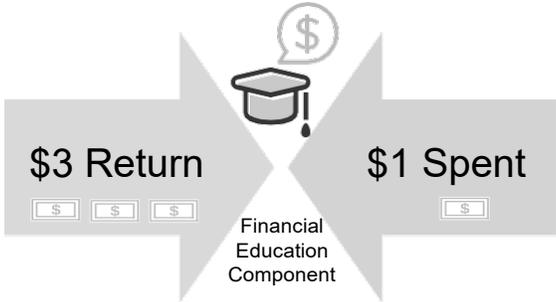
**“Only 56% of Americans give themselves a grade A or B on their knowledge of personal finance<sup>20</sup>”**

Employees benefit from employer sponsored education programs for health and retirement benefits. A financial wellness education program is a natural evolution. Providing financial education opportunities at work, combined with other benefits, is a proven way to encourage and improve financial decision-making and reduce financial stress.

**“3 in 4 Americans agree they could benefit from answers to everyday financial questions from a professional <sup>21</sup>”**

More than a decade of research suggests that financial education efforts in the workplace are important to reducing financial stress, increasing workplace productivity and promoting long-term financial well-being<sup>22</sup>. Adding a financial education component to employee benefits can return \$3 for every \$1 spent<sup>23</sup>.

**“91% of workers who participate in financial education workshops agree they are getting the information they need<sup>24</sup>”**



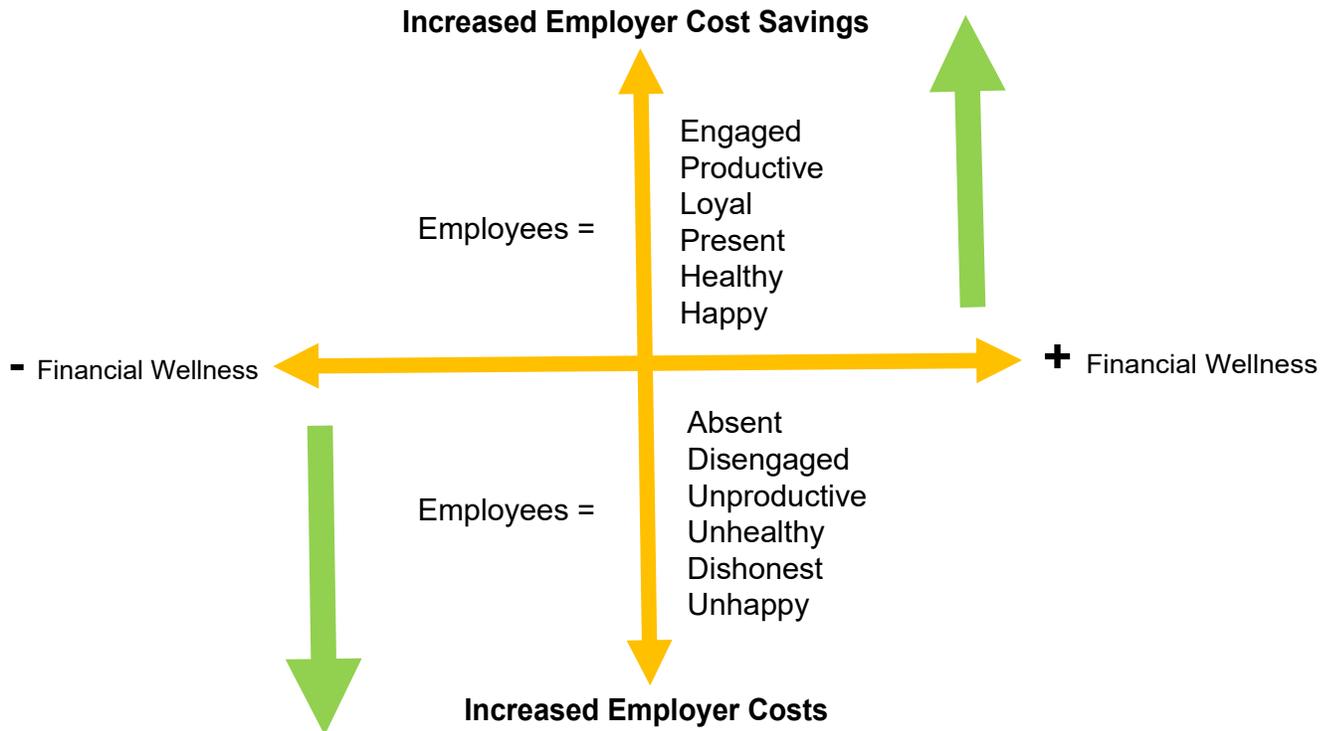
**“70% of participants that work with a financial advisor are on track for saving for retirement and are less financially stressed than those do not<sup>25</sup>”**

# Financial Wellness Productivity & Profit Links

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A financially capable workforce is more engaged and productive<sup>26</sup>. Employees that are financially well are more loyal to their employer. Employee financial wellness has a big impact on an employers' bottom-line.

# Employer Bottom-Line Costs & Cost Savings



**“Happy employees are 12% more productive than unhappy employees<sup>27</sup>”**

## Two Ways to Make an Impact

### 1. Start with a Strong Retirement Plan Foundation

An employer-sponsored retirement plan is one of the best tools employees have to help save for their future long-term needs, improve financial security and reduce financial stress. Intuitive plan design can strengthen any retirement plan and help move employees toward financial wellness faster. Consider these optional and automatic plan design features with proven results:

1. **Auto-enrollment with periodic auto-enrollment sweeps** for those not yet participating. *Tip:* Consider auto-enrolling employees at a 6% default rate and running a 1% or 2% challenge program each year to help employees easily increase savings with little impact on their take-home pay.
2. **Auto-escalation.** *Tip:* Consider auto increasing participants' deferral rate 2% per year with no cap or a 15% cap.

3. **Regular Auto-rebalancing.** *Tip:* Consider auto re-enrolling employees into a QDIA.
4. The **employer match** has been proven to motivate participants to increase their 401(k) contributions. *Tip:* consider a stretch match or profit sharing.
5. Consider eliminating **401(k) loans** and reducing loans.
6. Consider **eligibility and entry dates** and if they best suit plan demographics.
7. Consider **after-tax accounts** (i.e. “thrift plan” or Roth).
8. Effective **retirement plan education** seminars and webinars to help ensure employees know their financial deficiencies, understand how to correct them and make the most of their retirement plan. *Tips: Consider including financial education material on the employee portal with information on how to build savings and create an emergency fund. Ensure spouses, partners, family, etc. are included.*

### Helping Employees Save More

- 70% of plan sponsors feel auto enrollment has a positive impact on contribution rates.
- 62% of plans have auto escalation and more than 50% of participants use it.
- 71% of plan sponsors make the match immediately upon participation.
- 66% of plan sponsors have no service requirements for plan entry.
- 49% have no age requirements.
- 43% of plan sponsors have immediate full vesting of the match.

- Deloitte Annual Defined Contribution Benchmarking Survey, 2015.

**“4 in 5 retirement plan sponsors that partner with a retirement plan advisor saw employee contribution rates rise, one third by 6% or better<sup>28</sup>”**

*Tips: Consult with plan experts on your plan data. Participation rates, deferral rates, account balances and portfolio diversification are measures that can be used to get a gauge on employee retirement readiness. Consider data on absenteeism, turnover and medical spending for more clues about employee wellness.*

## 2. Strengthen Your Foundation with Financial Wellness

Financial wellness programs that focus on helping and educating employees and their families on ways to improve their short- and long-term financial health can reduce their financial stress levels. And, employers are a trusted source of financial education for their workers. Savings is a habit – good financial habits must be taught and it takes time for employees to improve their financial situation. Over time, more and more employees will join in as they see their peers benefitting from the program.

# Financial Wellness Program Key Benefits

Workplace financial wellness education programs are working. They have proven to engage employees of all ages and incomes and help them make better financial choices, reducing their financial stress levels and reversing the negative impacts of financial stress:



Employer Benefits	Employee Benefits
Reduced employee absenteeism	Reduced financial stress
Increased productivity	Improved financial management
Reduced employee distractions	Higher credit scores
Improved employee engagement, commitment and loyalty	Increased job stability
Less theft and crime	Work satisfaction
Recruitment and retention	Decreased debt
Talent management	Short and long-term financial needs addressed
Reduced health care costs	Improved health
Reduced human resource costs	No need for payroll advances, loans, etc.
Higher retirement plan participation and contributions	Retire on time
Reduced exposure to future litigation based on fiduciary liability	Reduced financial problems

# Financial Wellness Program Best Practices

**Engage with experts to help:**

1. **Assess** employee stress levels.
2. **Develop** program that meets employee needs focusing on awareness and financial education.
3. **Enable** employees to easily engage in a program that motivates them to succeed. Offer 1:1 access to a financial advisor to those that want help.
4. **Measure** program success to constantly improve.

Financial wellness program best practices include consulting with experts and using a confidential employee financial stress assessment survey to start moving employees through the Employee Financial Wellness Cycle.

**A. Employee Stress Assessment Survey**

A confidential employee financial wellness assessment survey is the first step. It lets employees assess their own situation and provides a baseline for employee stress levels. It can be done on a regular basis to measure the impact of your financial wellness education. The survey questions should reflect the employee base.

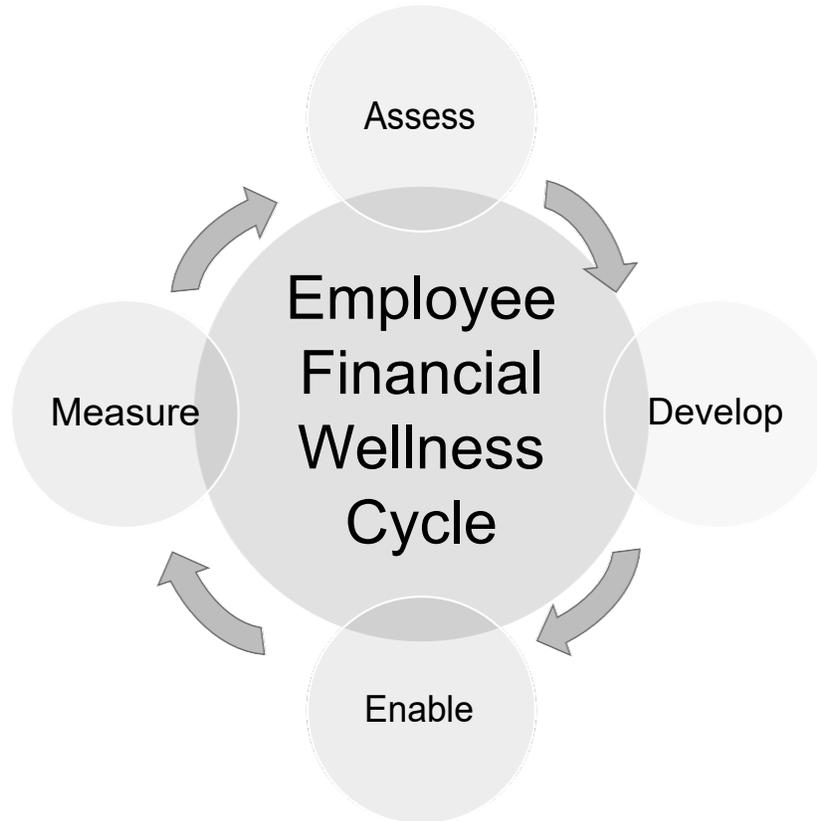
**B. Employee Financial Wellness Cycle**

A well-tuned Employee Financial Wellness Cycle can help ensure more employees achieve financial wellness faster. Engage with experts to determine the best employee approach for optimal success.

**Sample Stress Assessment Questions:**

1. How happy are you with your personal financial situation?
2. How often do you think about money?
3. On a scale from 1 to 10, how stressed do you feel about your economic situation?
4. How confident do you feel about having enough money for retirement?
5. How would you like to learn? Online or in-person?
6. Which topics would you like to learn more about:

Budgeting	Retirement	Investing	Debt Management	Insurance	Child's Education
Financial Stress	Home Ownership	Building Credit	Financial Protection	Emergency Fund	Estate Planning



## Key Financial Wellness Program Considerations

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There is no “one-size-fits-all” when it comes to a financial wellness program. The key is to implement a program that works for your employees and view the program as a long-term investment in your business. There are key elements to consider when choosing a program.

They include ensuring the program is:

- ✓ Confidential and offers financial wellness screening.
- ✓ Objective and unbiased.
- ✓ Clear on the implementation process.
- ✓ Linked to existing employee benefit programs.
- ✓ Embraced by management to become part of the company culture.
- ✓ Reflective and responsive to employee demographics.
- ✓ Easy for employees to engage.
- ✓ Within budget.
- ✓ Flexible, needs-driven and meaningful, and meets employees where they are, when they are.
- ✓ Custom and takes into consideration partners, credit scores, major life events.
- ✓ Motivating and includes incentives.
- ✓ Effectively, continuously and consistently communicates using a variety of digital and in-person channels.

- ✓ Full of A-Z comprehensive, holistic financial information and education.
- ✓ Continuously measured, providing tangible ways for employees to succeed and constantly improve.

**“83% of plan sponsors feel general and multiple employee communications and education are the best way to encourage savings and raise financial awareness<sup>29</sup>”**

### **Participation Barriers**

Of all the barriers to financial wellness program participation, 69% of employees say the biggest is lack of information and awareness<sup>30</sup>. Relevant and consistent employee communication is vital. Consider making meetings mandatory for higher attendance rates.

**“68% of plan sponsors feel targeted employee communications works best and 66% say group meetings are most effective<sup>31</sup>”**

### **Technology**

Technology has evolved to the point where gathering the data and tracking trends is allowing advisors to help employers quantify the impact of these key employee benefits and participant behaviors over time and use the information to constantly improve. New technologies also allow for more cost-effective delivery methods and customization of financial education and wellness support. Today there are several options for interactive financial planning and aggregation software available that can be useful to implement or improve a financial wellness program.

### **Costs**

A financial wellness program does not need to be complicated or expensive. Programs with the highest success rates are independent and incorporate the best practices listed above. Employee progress through the Employee Financial Wellness Cycle can help determine and measure value for the services provided.

Financial wellness programs can be a more cost-effective way of delivering the benefit education you are already giving your employees – with better results. When it comes to costs just remember, it's not what you pay for your financial wellness program that will make the difference for your employees, it's what's delivered to them, in an objective way, on a consistent basis, that will have the most impact and provide the most value for dollar.

## **A Financial Wellness Program Success Story: U.S. Army<sup>32</sup>**

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**"Soldiers can't do their jobs if they're worried about money at home"**

- Gale Johnson, financial readiness program manager, U.S. Army's Installation Management Command Family Programs

Over the last two years the Army has been using online portals, mobile phone apps and in-person phone consultations to help educate soldiers and civilian employees on financial matters to increase financial wellness.

460,000 soldiers (including retirees) and their loved ones completed the financial training: eight hours of mandatory financial education and ongoing education until retirement or separation from the military.

Results:

- 10% reduction in debts tied to credit cards, auto loans and finance loans.
- Monthly credit card payments fell by 17%.
- Average monthly retirement plan contributions doubled.

## Conclusion

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Employee financial wellness is key to holistic employee wellness and business growth because of its direct negative impact on physical and emotional health and worker productivity. The costs of not having financially well employees outweigh the costs of helping them get there. Reducing employee financial stress and increasing their financial wellness can save your business money in the long run. An investment in a strong retirement plan foundation and a financial wellness education program will help prepare your business for the future with a healthy, happy and productive workforce.

### Connect the Keys to Success



#### **A Financial Wellness Coach Can Help You Get Started:**

- Help gauge the financial stress levels and wellness of your employees.
- Help you understand and evaluate the different types of financial wellness programs available.
- Help customize a retirement plan and financial wellness program that suits your employees and meets your needs.
- Provide financial wellness education curriculum suggestions.
- Help evaluate and measure your financial wellness program.

Contact **Greg Lavin** at **Onward Financial Network**  
for more information:  
Phone: **920.273.0007**  
Email: **greg.lavin@onwardfn.com**

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## Endnotes

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This whitepaper is designed to provide general information for plan sponsors and is for discussion and educational purposes only. The information contained in this whitepaper is not be construed as advice.

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