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Retirement Is About More Than Money

Interview with Greg Ward



Society of Actuaries (SOA) research has repeatedly shown that there are many gaps in retirement planning and knowledge about retirement. At the same time, employee benefits are evolving to make employee decisions more important. The SOA, in partnership with Financial Finesse, recently released a new publication designed to improve financial literacy, *Retirement Health and Happiness*. This is the first in a series of educational publications designed to help Americans do a better job of retirement planning. It is designed for employers to give to employees as part of their employee benefit or retirement planning programs and to be used by members of the public for their own education. It can also be used by organizations that are promoting financial literacy and offering resources for financial education.

Greg Ward, director of the Financial Wellness Think Tank at Financial Finesse, led the development of this material. This interview provides information about the new project and the use of the information.

What is workplace financial wellness?

Workplace financial wellness is an employee benefit that provides ongoing access to unbiased financial guidance and

coaching. It is designed to help employees effectively manage their benefits and to develop better financial habits and behaviors so they are able to make informed financial decisions that are in their best interests.

According to our best practices guide¹ for employers, a workplace financial wellness benefit is holistic in nature, covering topics ranging from cash and debt management to advanced estate planning. Ideally, it is designed and delivered by qualified financial experts as an employer-paid benefit available to all employees, regardless of job classification.

What is the current state of individual financial wellness?

We believe people experience a healthy level of financial wellness when they maintain a manageable level of financial stress; a lifestyle at or below their financial means; a strong financial foundation that includes adequate emergency savings, no high-interest debt and a sufficient insurance and estate plan to protect assets, income and loved ones; and an ongoing plan to achieve future financial goals. At present, only about 30 percent of the workforce is even close to this level of financial wellness. Because of their relationship, employers are uniquely positioned to help employees reach a healthier level of financial wellness.

How are employers responding to the need to increase financial wellness?

Several decades ago, employers attempted to improve financial wellness through traditional means, such as workshops and benefits communication materials. Unfortunately, this did little to move the needle. Over the last 10 years, forward-thinking companies began adopting more comprehensive approaches to financial wellness, which included combining financial wellness benefits with physical wellness benefits into what are becoming known as “total wellness programs.”

Interest in this approach to financial wellness has skyrocketed, and today we are seeing a tremendous number of employers seeking to implement comprehensive financial wellness benefits that include financial coaching, workshops, webcasts and online learning as part of a total wellness program. Although it is a relatively recent development, we are already starting to see significant improvements in financial wellness and behavior among employees who actively engage in the program. These improvements include reductions in employee financial stress, decreases in debt balances and increases in retirement plan participation.

How do you see employee benefit plans changing?

Employers are no longer in a position where they can offer life-long financial security to employees in the form of guaranteed pensions or retiree health plans, which means employees must take more responsibility for funding these future expenses on

their own. To help subsidize employee savings, employers are contributing more to voluntary benefits—like 401(k) plans and health savings accounts—in the form of matching contributions, but employees may be underutilizing these benefits due to lack of understanding or cash flow.

For this reason, employee benefits are becoming more integrated. More and more employers are issuing what are referred to as “total reward” statements so employees can see the complete value of their compensation and benefits package. In addition, employers are offering “benefits planning” as part of their financial wellness program to help employees understand and maximize the benefits for their personal situation. This makes the employer a trusted partner in the employee’s financial security.

The SOA and Financial Finesse are doing a series of publications to promote retirement literacy among working-age Americans. What makes these publications different from other retirement guidance available?

Much of the traditional retirement guidance available today is produced by financial service providers. It includes a list of facts and figures that are designed to encourage behavioral change through logic and reason. Unfortunately, this traditional approach has done little to improve retirement literacy in America.

This new series uses principles designed to move the reader beyond the logic and into a place where behavioral change is more likely to occur. Topics will include both financial and non-financial aspects of retirement. We hope this unique approach to retirement education is more far-reaching than traditional retirement guidance.

What is the main content of the first publication *Retirement Health and Happiness*?

It takes more than money to enjoy a successful retirement. In the first publication, we offer guidance and thought-provoking questions designed to help the reader emotionally and physically prepare for a successful transition to retirement.

What retirement trends does it respond to?

People are living longer, and today’s retirees are more active than those of previous generations. Therefore, retirement planning must consider both the financial and non-financial challenges a longer, more active retirement creates. Today’s retiree may continue working in some capacity, volunteer, travel or take on creative projects, especially in early retirement. The guide is designed to help this generation consider all the factors that contribute to a long, happy and healthy retirement.

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In your experience, are there some common areas that need more attention in retirement planning? How do the guides fit in?

What we see from our data, and anecdotally from conversations with employees, is that employees underestimate the costs of health care, both now and in retirement. They are confused about high deductible health care plans and why they should save in health savings accounts (HSAs), both for short-term expenses and long-term needs. There is a mistaken belief that Medicare will cover all their health care costs, including long-term care. We also see that employees don’t always plan for longevity. They haven’t planned for how their daily lives will change as they age and what decisions they may need to make about where they live and how they handle financial affairs. In our guides, we walk through the decision points for how to tackle these issues.

What do you think is working well in terms of financial wellness programs, and what could be improved?

Not enough companies offer comprehensive workplace financial wellness programs delivered as an employee benefit. We’re still in the relatively early stages, but the benefit is on the verge of a tipping point. Per research from Aon Hewitt, over 90 percent of large companies are considering expanding financial wellness programs beyond retirement planning. I see a lot of confusion right now about what is and is not a financial wellness program. For example, many financial services firms are highlighting financial wellness, which is great, but employers need to be careful that they are not inadvertently creating a marketing opportunity for those firms to sell financial products and services to their employees. Financial sales is not a financial wellness program. There are also many interesting technology tools and fintech companies entering this space. Many are helpful, but we’ve found in our research that technology alone doesn’t create behavior change. That generally requires repeat interaction between an employee and a financial coach. ■

ENDNOTES

1 <https://ffinesse.box.com/v/FinWellnessGuide>