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Financial Wellness Essay Collection

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What Makes a Workplace Financial Wellness Program Successful?

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Financial distress has been shown to impact individuals adversely, affecting personal health, safety and relationships. In the workplace, financially distressed employees may be less productive, miss work more often, display presenteeism,[1] hurt morale, alienate colleagues and customers, quit their job for another that pays just a little more or delay retirement to keep earning wages. These consequences can harm the employee and employer. Offering financial education in the workplace is an important way employers can counter the detrimental effects of financial distress. There are many approaches, methods, providers, resources and topics from which to choose.

In 2016, the International Foundation of Employee Benefit Plans surveyed its members (primarily employers and other benefit plan sponsors) about financial wellness and education.[2] The survey received 406 responses (281 from the United States and 125 from Canada). A wide variety of industries, employer sizes and regions were represented. Respondents were asked to describe how financial distress impacts their workforce and if they offer financial education programs. If yes, they were asked to share the details and success of their programs.[3]

Two in five employers (40%) indicated employees' personal financial issues had a high or extremely high impact on their overall job performance. Another 41% said financial issues had some impact. Only 4% said there was no impact. When asked to identify the job factors most affected by personal financial challenges, stress was ranked the highest at 76%. Other factors identified were:

- Inability to focus on work (59%)
- Absenteeism/tardiness (34%)
- Morale (32%)
- Physical health (30%)
- Relationships with coworkers (18%)

After describing their financial education programs, respondents were asked to self-evaluate program success. Based on this self-identification, we analyzed the results and characteristics of successful versus unsuccessful programs.[4]

Impact of Workplace Financial Education

Respondents were asked to indicate the financial "savviness" and retirement readiness of their employees. Employers that deemed their financial education program unsuccessful were more likely to rate employees as less competent in these areas. Specifically, 62% of those in the unsuccessful group chose the statement "The average active participant in our population is not at all or is only a little financially savvy"; this compares with 39% of employers in the successful group. Similarly, 43% of employers in the unsuccessful group chose the statement "The average active participant in our organization is not at all or is only a little prepared to retire when they reach normal retirement age"; 29% of employers in the successful group did so.

1 Presenteeism is the presence of an employee at work even if he or she is too sick or too engaged in work/life issues to be productive.

2 International Foundation of Employee Benefit Plans, "Financial Education for Today's Workforce: 2016 Survey Results," survey report, April 2016, *http://www.ifebp.org/pdf/financial-education-2016-survey-results.pdf*. The survey was conducted in January 2016 and released in April 2016. This essay is drawn from a forthcoming International Foundation report, "A Closer Look: What's Working in Workplace Financial Education," March 2017, *http://www.ifebp.org/financialed*.

3 Financial education programs were offered by 269 of the 406 respondents (187 from the United States and 82 from Canada).

4 Slightly more than two-thirds of respondents (181 or 67%) rated their program as somewhat or very successful. The remaining third (88 or 33%) rated their program as somewhat or very unsuccessful or as neither successful nor unsuccessful.

Best Practices for Success

Again using respondents' self-evaluation, we analyzed survey results to identify best practices. Here is a list of five recommendations for employers interested in offering workplace financial education.

MAKE FINANCIAL EDUCATION A COMMITMENT AND BE PATIENT

Employers that believe they have a responsibility to educate their employees on financial issues tend to have more successful programs. International Foundation members traditionally have seen value in educating employees about their benefits, from retirement and health plans to paid leave and perks. Some employers think this is the extent of their responsibility. Others see value in offering education about personal finance. Employers were asked to choose a statement that best reflected their level of commitment to financial education, from the lowest level—"We have no responsibility"—to the highest level—"We feel our responsibility is to educate on pension and benefit options, encourage retirement savings and improve participant financial literacy and money management." Nearly half of employers with successful programs (49%) chose the latter statement versus 38% of employers with unsuccessful programs.

Signs of commitment include leadership support, a budget devoted to financial education, and offering employee benefits like pension and retirement plans, disability insurance and employee assistance programs. While half of employers with unsuccessful programs indicate a lack of leadership support as one of their biggest obstacles to offering financial education, only one-quarter of those with successful programs did so. Results showed a big gap between successful and unsuccessful programs when looking at the existence of a budget for financial education—27% versus 6%.

A program is likely to be more successful the longer it is in place. Results from this survey showed it takes more than five years to be reported as successful. For successful employers, 24% had programs in place for six to 10 years and 49% for more than 10 years, vs. 11% and 42%, respectively, for the unsuccessful group.

KNOW THE EMPLOYEE POPULATION

Employers with successful programs survey their employees to assess both their financial well-being and which financial topics need to be covered. It is critical to have a good understanding of employees' financial challenges to build a program that addresses their needs. Employers should also measure improvement and behavior changes after the program is in place. Nearly 30% of employers with successful programs have conducted an assessment. None of the employers with unsuccessful programs had done so.

DIVERSIFY TOPICS AND FORMATS

Not all employers have the resources to implement a comprehensive financial education program at the outset. If an employer starts with a limited approach, it is best to focus on one or two topics that an employee assessment tool has identified as critical. If an employer has the ability to offer a wide-ranging program, research shows more success if a variety of topics are covered. Employers with successful programs provided education on multiple topics including savings, investments, insurance, spending, health care in retirement and pre-retirement financial planning. Overall, they offered seven topics on average versus four in the unsuccessful group.

Similarly, the success group was more likely to offer education using a wide variety of formats, including free personal consultation services, classes and workshops, online resources, workbooks and calculators. On average, the success group offered seven types of resources versus five for the unsuccessful group.

CUSTOMIZE AND PERSONALIZE EDUCATION

Information and education is more effective if it resonates with the learner. While this seems obvious, many employers use generalized communication and report less successful results. Employers with successful programs customize education for specific groups based on age or income level (33% versus 14%). They also target education by life stage (12% versus 2%). Some employers use data to identify employees who are not on pace to meet retirement income replacement goals; these employees then receive targeted communication and education. Nearly one-quarter of successful employers provide such targeted information, while 11% of unsuccessful employers do so.

Employers with successful programs are more likely to use individualized methods. For example, 30% of successful employers make financial planners available to employees, while 16% of respondents in the other group do so. Free personal consultation services are provided by 62% in the success group versus 36% in the unsuccessful group.

INCREASE ACCESSIBILITY AND INCLUSION

Employers can set up programs to be convenient and open to all or most. If a face-to-face program is planned, participation will be greater if the event is held during work hours.

Financial education is likely to be more successful if it reaches more individuals and is made available in multiple languages reflecting the workforce. Employers in the successful group were more likely to educate retirees as well as active employees (28% versus 13%), include spouses (45% versus 28%) and translate materials into languages other than English (30% versus 21%).

Conclusion

As demonstrated by research, workplace financial education programs are most successful when an employer identifies the unique concerns of its workforce and tailors the message to fit that audience. Offering a variety of topics and access points increases opportunities for participation, ultimately leading to success. What does success mean for the workplace? It means fewer employees reporting financial distress, calling in sick, being distracted and snapping at colleagues and customers. And that, ultimately, means a more productive work environment.

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