Shaky personal finances are now widely recognized as a principal source of stress for employees, reducing their productivity and adversely affecting their health and general well-being. Research suggests employees are looking to their employers for help – and many are responding by offering workplace-based “financial wellness” programs.

These programs are about more than just building a sizable bank account. One helpful definition describes financial wellness as “the ongoing practice of striking a balance between living responsibly today and planning wisely for tomorrow.”

Typically, the root of financial stress is a lack of knowledge about personal financial management principles and practices, causing employees to make poor decisions with their money. But financial management knowledge may not increase with age or rising incomes. In fact, one study showed 20 percent of employees with six-figure salaries find it difficult to meet their monthly household expenses on time.

Employees have to make important financial decisions in the workplace about retirement saving, health plan selection, the purchase of voluntary benefits and setting aside funds for future out-of-pocket medical expenses, among others. And, as noted by the Consumer Financial Protection Bureau (CFPB), in one of its reports: “If we expect consumers to be responsible for the choices they make, we must support them in developing the skills and knowledge that they need.”

The idea isn’t simply to create a financial master plan, but to equip employees to manage their finances wisely on an ongoing basis.

**Scope of the Challenge**

A statistical backdrop helps illuminate the scope of the challenge and points to practical solutions. In 2016, 52 percent of employees polled by PricewaterhouseCoopers (PwC) reported they find dealing with their financial situation stressful, and 45 percent ranked their personal finances as the greatest cause of stress in their lives.

Nearly two-thirds (64 percent) of millennial generation employees in the PwC poll reported being stressed about finances, versus 56 percent of Generation X poll respondents and 40 percent of baby boomers. Financial stress levels in all three generations rose in 2016 from the prior year. Millennials showed the greatest increase, up from 52 percent.

---

Research confirms such stress has a concrete negative impact on employees. For example, 28 percent of PwC poll respondents reported financial worries have caused health problems, and 17 percent overall (25 percent of millennials) said financial stress has taken a toll on workplace productivity.

Higher percentages of workers acknowledge personal finance issues are a distraction at work. Overall, 28 percent of PwC poll respondents made that statement, and 46 percent of millennial respondents did so. It is unclear why reported distraction numbers do not correlate to perceived drops in productivity, unless some employees were reluctant to acknowledge diminished output.

Finally, whether they are stressed or not, employees who lack financial wellness are less able to take advantage of existing benefits, particularly 401(k) plans. This reduces the strategic effectiveness of these corporate benefit programs, as described in the previously cited CFPB report: “By adopting and expanding programs that enhance the financial capabilities of their employees, companies can also maximize the leverage they get from existing investments in employee benefits to increase employee satisfaction and engagement.”

When employees fail to take full advantage of their 401(k) plan, their ability to retire is threatened. The PwC study found a slim majority of baby boomers (52 percent) anticipate retiring later than they originally had planned. For Generation X employees, the proportion was also substantial – 44 percent. While employee loyalty and low turnover is generally a good thing, there is no advantage in maintaining a large employee population that wants to retire but cannot afford to do so.

Do Financial Wellness Programs Work?

Because financial wellness programs are still in their developmental stages in pioneering organizations, research into their impact is not yet conclusive, according to the CFPB. Still, “reports suggest financial wellness training may positively impact stress and related costs the same way employers are finding success in addressing health behaviors,” the bureau wrote.

A financial education program piloted by the Federal Reserve Bank of Kansas City, cited in the CFPB report, revealed several classroom training sessions resulted in a cessation of employee requests for 401(k) loans, fewer late bill payment charges and a double-digit collective reduction of employee installment debt. The employer subsequently surveyed employees and found a significant uptick in their satisfaction with their financial situation. Supervisors interviewed in that program also reported participating employees “had more energy” and a “higher engagement level at work.”

To the extent that financial wellness efforts lead employees to take greater advantage of benefits such as their 401(k) plan, they can appreciate it more – and feel greater loyalty to their employer. Also, the 2016 PwC survey found employees’ loyalty to their company is influenced by how much their company cares about their financial well-being. Similarly, a majority of employees reported they are “more likely to be attracted to another company that cares more about their financial well-being.”
Employees in one survey said they are more likely to be more loyal to a company that cares about their financial well-being.

Implementing an Effective Program

How then does an organization create a financial wellness program that will reduce employee stress and foster loyalty? The second habit in Stephen Covey’s famous *The 7 Habits of Highly Effective People* applies here: “Begin with the end in mind.” Specifically, what would employee financial wellness look like at your organization? The content of the financial education you wish to impart, and the extent to which it is absorbed, should set you on a path to creating an effective program.

The table below suggests employees’ own financial worries have remained relatively consistent through time (see Figure 1). The biggest worry, insufficient emergency financial reserves, highlights the need for some education around day-to-day spending management.

![Figure 1: Top Employee Financial Concerns, 2012-2016](image)

<table>
<thead>
<tr>
<th>Financial Concern</th>
<th>2012</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not having enough emergency savings for unexpected expenses</td>
<td>54%</td>
<td>55%</td>
</tr>
<tr>
<td>Not being able to retire when I want to</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Being laid off from work</td>
<td>22%</td>
<td>20%</td>
</tr>
<tr>
<td>Not being able to keep up with my debts</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Not being able to pay for college</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Losing my home</td>
<td>7%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Source: PwC 2016 Employee Financial Wellness Survey*

Figure 2 provides additional insight into employees’ financial educational requirements, particularly their need for help on cash flow planning. As Figure 2 indicates, even many baby boomer employees clearly need help achieving financial wellness.

![Figure 2: Employee Financial Challenges, Generational Breakdown](image)

<table>
<thead>
<tr>
<th>Financial Challenge</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Find it difficult to meet household expenses on time</td>
<td>46%</td>
<td>44%</td>
<td>32%</td>
</tr>
<tr>
<td>Consistently carry credit card balances</td>
<td>53%</td>
<td>53%</td>
<td>46%</td>
</tr>
<tr>
<td>Of those carrying credit card balances, number who struggle making minimum payment</td>
<td>40%</td>
<td>26%</td>
<td>32%</td>
</tr>
<tr>
<td>Employees who use credit cards to pay for monthly necessities they can’t otherwise afford</td>
<td>30%</td>
<td>27%</td>
<td>21%</td>
</tr>
</tbody>
</table>

*Source: PwC 2016 Employee Financial Wellness Survey*

Next, take stock of programs already in place at your company that touch on financial wellness, such as retirement savings and planning efforts offered in conjunction with your 401(k), or guidance on taking advantage of a health savings account. Are these programs achieving their goals? Could they be incorporated effectively into a more holistic financial wellness initiative that would create educational synergies? (See the story on Page 5 for an example of an interactive, web-based, broad-scope financial education program.)
Issues to Address Before You Launch

Once you have analyzed your employees’ needs and how best to address them, you’ll need to lay the groundwork before launching a financial wellness program. Common issues that need to be addressed proactively include:

- **Privacy concerns.** Employees and company management need assurances that confidential employee information will remain private.

- **Cost concerns.** An effective financial wellness program will require an investment of time by staff charged with managing the effort. It’s important to clearly explain the initiative’s rationale and anticipated benefits, without over-promising and sowing the seeds of future disillusionment.

- **Philosophical issues.** Some executives need reassurance the effort isn’t an attempt to micromanage employees’ personal lives but an important employee benefit that can be viewed as a supplemental form of compensation.

Once the initiative receives any required budget and authorization, its advance marketing to employees and launch should be given the same degree of care as is taken, for example, with open enrollment for your health plan. Devise and implement a method of obtaining baseline data on employee financial awareness prior to launch so you can assess the program’s successes and shortcomings. You should also be ready to make any required modifications as you move forward.

Expectations and the Bottom Line

Eight out of 10 workers responding to the State Street Global Advisors Biannual DC Investor Survey in 2015 agreed their employers should provide resources to improve their financial wellness and lower their stress levels.5

The President’s Advisory Council on Financial Capability concurs that employers are well positioned – and have good reason – to fulfill that role: “Employers tend to be trusted deliverers of key financial skills, and have an increasing incentive to ensure employees are free of financial stress at the workplace.”6

Implementing a carefully designed financial wellness program can deliver benefits to employees, their families and, ultimately, your bottom line.

---

