Helping Employees Get Healthy, Financially

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Even in the face of convincing economic growth, an overwhelming majority of employees report experiencing at least some degree of financial stress. In response, employers are introducing financial wellness programs in the workplace to help employees stick to budget, manage debt and save for retirement.

As the economy continues to expand at what the Congressional Budget Office is calling a "solid pace," it's easy to overlook the fact that financial pressure is still a major stressor for millions of working Americans.

Research shows that lack of savings and retirement planning, inability to meet monthly financial obligations and crippling debt are the factors most detrimental to employee financial security.

In an effort to help reduce employees' financial stress and increase their productivity and job satisfaction, employers are introducing financial wellness programs in the workplace. Popular components of financial wellness programs include finance classes, counseling sessions and various resources to help employees stick to budget, manage debt and save for retirement.

The troubling state of worker finances

Signs of a recovering economy can be readily identified: average hourly wages in the private sector have enjoyed a steady four-year increase,[1] and in March, national unemployment dropped to 5.5 percent, down almost four and a half percent from March of 2010.[2] Yet even in the face of convincing economic growth, a staggering 86 percent of employees report experiencing at least some degree of financial stress, regarding perceived lack of control over their finances and low confidence in reaching future financial goals.[3]

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According to the Federal Reserve Board, 34 percent of households actually consider themselves somewhat worse off or much worse off financially than they were five years ago.[4] In a survey asking management-level HR professionals to evaluate the financial health of the employees at their organization, almost a quarter of respondents answered that employees are experiencing greater personal financial challenges than they were a year ago.

This white paper by Securian Financial Group's group insurance division was developed to help answer questions such as:

- Just how serious are the challenges employees face?
- What are the factors driving financial "illness" in the workforce?
- Where should financial wellness programs focus?

A lack of retirement savings, inability to meet monthly financial obligations and crippling debt are combining to drive employee stress.

Retirement savings. Today's workforce faces more complexities in saving for retirement than previous generations. The Federal Reserve Board reports 31 percent of the workforce has no retirement savings or pension, including 19 percent of respondents ages 55 to 64.[5] The report also found almost half (49 percent) of all adults are not actively thinking about saving for their post-working years.

Even among employees who do have a savings plan in place, the effects of the Great Recession have destabilized many personal retirement accounts. PricewaterhouseCoopers' 2015 Employee Financial Wellness Study reports **23 percent of employees have withdrawn money from retirement plans to pay for expenses other than retirement, and an additional 35 percent say it's likely they'll need to do so**.

In a post-defined benefit pension landscape, employees are seeking guidance and resources to help them generate their own savings strategies. Developing a plan to financially sustain employees after retirement often means taking early initiative to do more than just contributing to a 401(k) or similar plan.

Household expenses. For a growing portion of the workforce, being unable to keep up with household expenses is an even greater financial stressor. In 2015, 33 percent of employees reported difficulty meeting household expenses.[6]

EAP provider Ceridian says evidence of this shift in financial priorities can clearly be seen in the service requests they receive. Five to seven years ago, employee calls were mainly regarding saving for retirement or planning for the future, Ceridian reports. Since the recession, calls have shifted to requests for help with loss of income and erosion of retirement funds or savings from individuals who are struggling to make ends meet.

A 2014 survey by Financial Fitness Group asked employees, "How frequently do you find yourself just getting by financially and living paycheck to paycheck?"

NEARLY HALF OF ALL EMPLOYEES (48.2 PERCENT) RESPONDED, "ALL THE TIME."[7]

Debt. Twenty-five percent of employees cite credit card debt as the financial stressor affecting them most, according to a 2014 SHRM study. This figure is up from 22 percent in 2011.[8] Being unable to meet monthly household expenses is a major driver of credit card debt, with 20 percent of employees reporting the use of credit cards for monthly necessities they can't otherwise afford.[9] Forty-seven percent of the workforce reported carrying a credit card balance in 2015. Of those, 26 percent are struggling to meet their minimum payments each month.

Securian Financial Group reports nearly half (49 percent) of retirees held debt when they entered retirement, 39 percent of whom owed $50,000 or more. People age 65 and older reported more credit card debt than any other age group — nearly $9,300, on average.[10]

For Millennials especially, student debt is a key contributor to financial stress. In September 2013, almost a quarter of all Americans held education debt, and 18 percent were behind on payments.[11] At nearly $1 trillion, student debt is at a record high nationally,[12] and average education debt is approaching $30,000 per borrower.[13]

Financial stress. Together, these factors add up to unhealthy worker stress. A 2013 Harris survey concluded 41 percent of full-time, benefits-receiving employees have a fair amount of financial stress, and 20 percent report "quite a bit" or a "great deal" of stress.

This same survey revealed **44 percent of employees do not have at least $2,000 in emergency savings.**[14] Lacking a financial cushion leads to constant worry over unexpected monetary emergencies. Financial worries take a serious toll on workers' physical and mental wellbeing, and these worries follow employees through the workplace door.

At 51 percent, not having enough emergency savings for unexpected expenses is the most frequently cited employee financial concern.[15]

Source: PricewaterhouseCoopers, 2015

Employers have a role to play

Employers are well aware of the issue. Sixty-one percent of HR professionals blame financial stress for negatively impacting work performance.[16] And, employees plagued by financial problems are reaching out to their employers for direction and support.

In response, an overwhelming majority of organizations are developing financial wellness programs to support the needs of their staff. **In 2014, 93 percent of employers indicated they were planning to create or expand their financial wellness programs,** according to a survey conducted by Aon Hewitt.[17]

Commenting on this trend, Tony Franchimone, a principal with Retirement Benefits Group, says the increase in health care costs have driven employers to take a more parental approach toward employees and how they want to teach or educate them to be financially well.[18]

Voicing a sense of corporate responsibility for the financial wellness of the workforce, president and CEO of McGraw-Hill Federal Credit Union Shawn Gilfedder also weighed in, “Business leaders should be troubled that many of our nation’s workers continue to face financial hardships and related stress, especially during working hours. Companies can and should take action to help employees effectively address their financial concerns, which will help improve the lives of workers and their families and also help strengthen company performance.”[19]

What do employers stand to gain?

There is a significant cost to businesses when employees are financially stressed. A 2015 report found 20 percent of employees are distracted by issues related to personal finances, and 37 percent of employees spend three or more hours every week dealing with personal finances while at work.[20]

Increased productivity. Fifty-eight percent of employers believe financial illness plays a role in employee absenteeism, and 78 percent say stress can have a negative impact on employee productivity.[21] Introducing a financial wellness campaign can help mitigate the drain on productivity, while reducing absenteeism and building employee engagement.

Reduced costs. The Personal Finance Employee Education Foundation (PEEF) says educating employees about money management can save companies up to $2,000 annually per employee. These savings are won through increased employee productivity, reduced healthcare costs and more efficient utilization of employee benefits.[22]

Recruitment and retention. Research shows employees who participate in financial wellness programs are more likely to feel loyalty toward their employer.[23] Programs like these demonstrate employers’ concern for employees and, in so doing, boost staff loyalty and encourage high-level engagement. Because financial wellness initiatives are so highly valued by employees, organizations with strong financial wellness programs also are able to leverage this benefit as a key recruitment and retention tool.

Building strong and supportive financial wellness programs

Start smart: determine employee needs. Judith Cohart, president of PEEF and an expert on financial education in the workplace, recommends evaluating the needs of the employee population in depth before designing a financial wellness program. A preliminary analysis will ensure resources are efficiently allocated, and provide a benchmark for measuring the program’s success. This evaluation can be undertaken in three ways: employee surveys and questionnaires, analysis of employee data, and careful consideration of generational differences.

Survey the workforce

Perhaps the most accurate method of gauging employee needs is to go straight to the source. Survey employees about their greatest monetary concerns, and ask them to identify their financial goals. Consider administering a financial literacy assessment to pinpoint the most pressing knowledge gaps. When the goals of a financial wellness program are tightly married to the needs of employees, the efficiency of the wellness initiative is enhanced, and employees are more satisfied with the program.

Analyze employee data

Some of the insights employers need to build an effective financial wellness program are already available within the company's internal data. Analyzing this data can help employers measure the financial stability of their workforce and determine the level of education and support necessary to create a culture of financial security.

There are a variety of ways in which HR data might be relevant in identifying the educational needs of employees. For example:

- What percentage of employees is taking advantage of the company's 401(k) match or, conversely, is making withdrawals from their 401(k) accounts?
- How many employees are taking advantage of flexible spending accounts?
- What is the participation rate in voluntary benefits plans such as discount purchasing programs, critical illness, accident insurance or legal plans?

By analyzing payroll statistics, The Home Depot learned only about half of employees were participating in the company's direct deposit program; most workers were cashing their paychecks manually because they lacked checking accounts. Further analysis revealed many employees were regularly taking out loans against their 401(k) and selling their company stock bonus immediately after receiving it. In response, The Home Depot launched a financial education program to teach employees how to set up and manage personal savings and checking accounts and to help them better understand the value of investment options.

Participation in voluntary benefits is a particularly strong predictor of financial stability. Financial Finesse found that among employees who report no financial stress, 59 percent carry enough life insurance to provide for lost income, expenses, and unforeseen emergencies. By contrast, only 30 percent of employees who report experiencing financial stress say they have enough life insurance.[24]

Fifty-nine percent of employees who report no financial stress carry life insurance to provide for lost income, expenses, and unforeseen emergencies. Only 30 percent of employees who report financial stress say they have enough life insurance.

Source: Financial Finesse, 2014

Consider generational differences

Monetary concerns vary widely among generations. To ensure financial education and resources are relevant to employees, SHRM advises, "When developing a formal financial education program, it is pertinent that HR professionals tailor this benefit to different generations in the workforce."

Among Millennials (born 1982-1993), the greatest financial concern is debt. College loans are more likely to be affecting millennials than any other age group, and 42 percent of employees in this generational group report "overwhelming" debt burdens. Employers would be wise to design financial education to focus on debt management and repayment strategies for millennial employees.[25]

Other top financial concerns for millennials? Lower savings and home equity mean millennials are more sensitive to wage stagnation than their older coworkers.[26] Building strategies for weathering inevitable financial emergencies is a highly relevant offering for workers in this age group.

Gen X employees (born 1965-1981) are the most financially stressed of any generational group, with 62 percent reporting high levels of financial stress.[27] Many Gen X employees have difficulty meeting household expenses each month, so education and resources for family budgeting are likely to be a timely provision. Gen X is also looking for help with issues related to managing financial stress, addressing concerns about foreclosure, finding fuel or utility assistance programs, and locating elder services.

Not surprisingly, Baby Boomers' (born 1946-1964) top concerns are retirement savings and future planning. Employees in this demographic are most likely to want planning tools and information regarding money management during their post-working years.

Educate and empower. Financial education is more important than ever as employee benefits are increasingly shifting toward voluntary offerings and à la carte insurance platforms. As workers take on greater responsibility for selecting their own benefits, their demand for financial education is growing.

The Affordable Care Act is contributing to the demand for financial education. The legislation has left many employees confused, yet 63 percent of employees say their workplace hasn't provided any tools or resources to help them understand the effects of the ACA on their financial health.[28]

A successful financial wellness platform will work to give employees the resources and education they need to make wise and informed money choices. Employers should provide calculators to weigh and compare the cost of insurance options, dependent care, 401(k) investments, and various benefit and investment choices. By creating a culture in which individuals are encouraged to carefully assess their financial decisions, employers can help foster financial security and independence in the workforce.

Seven out of 10 Americans claim financial stress is the most common type of stress they experience.

Source: Consumer Financial Protection Bureau, Financial Wellness at Work report, 2014

Sixty percent of benefits brokers have noticed more concern among employers about the financial well-being of their employees.

Source: FinFit, LLC online survey, 2014

One step at a time. When instituting a financial wellness program, however, look to develop a culture of responsibility and stability, rather than make a one-time quick fix. Much like one trip to the gym won't create physical fitness, a once-a-year financial seminar won't create financial well-being. Education is a process — not an overnight event. It will take many small changes and continuous encouragement for good financial habits to take hold.

Employees need to adopt this perspective as well, focusing on one goal at a time and making incremental changes in their financial habits. Employers can support them in the change process through an internal marketing strategy making employees aware of the benefits available to them and offering positive reinforcement for better financial choices.

Employees receiving group life insurance through Securian's member companies, Minnesota Life or Securian Life, may qualify for a variety of value-added financial services and resources. Ceridian, a leading human resources outsourcing company and a partner of Securian Financial Group since 2007, offers legal, financial and grief counseling at no additional cost to employees. Ceridian's catalog of services can provide a baseline for an employer's financial wellness program, helping employees weigh financial decisions, consider legal options, and process difficult life events such as a death in the family.

The legal, financial and grief resources are provided by Ceridian HCM, Inc. The services are not affiliated with Minnesota Life, Securian Life or its group contracts and may be discontinued at any time. Certain terms, conditions and restrictions may apply when utilizing the services.

[1] Labor Department Jobs Report, March 2015.

[2] Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," May 2015. http://data.bls.gov/timeseries/LNS14000000

[3] Financial Finesse, Financial Stress Executive Summary, 2014. http://www.federalreserve.gov/newsevents/press/other/20140807a.htm

[4] Federal Reserve Board, Report on the Economic Well-being of U.S. Households, August 2014.

[5] Federal Reserve Board, ibid.

[6] PricewaterhouseCoopers, Employee Financial Wellness Survey, April 2015.

[7] Financial Fitness Group cited in Wall Street Journal, "Can Companies Solve Workers' Money Woes?" April 2015.

[8] Stephen Miller, "SHRM Study Highlights Employees' Financial Challenges," May 2014.

[9] PricewaterhouseCoopers, Employee Financial Wellness Survey, April 2014.

[10] Securian Financial Group, "Debt: The Inheritance No One Wants," November 2013

[11] Federal Reserve Board, ibid.

[12] Securian Financial Group, ibid.

[13] The Institute for College Access and Success, November 2014.

[14] Harris Interactive and Purchashing Power Survey, June 2013.

[15] PricewaterhouseCoopers, ibid. 2015

What are the most popular types of financial fitness programs? Here's what employers are offering according to the Society of HR Management:

- Retirement planning - 79 percent
- EAP - 75 percent
- Financial investment programming - 56 percent
- Medical care/ healthcare cost planning - 40 percent
- General budgeting advice - 26 percent
- Privacy, security and fraud protection - 25 percent
- Education planning - 24 percent
- Credit restoration resources - 11 percent
- Home buying seminars - 7 percent

Source: SHRM, 2014

[16] Consumer Financial Protection Bureau (CFPB), “Financial Wellness at Work,” 2014

[17] Wall Street Journal, “Can Companies Solve Workers’ Money Woes?” April 2015.

[18] Employee Benefit Advisor, “Advisers See Greater Employer Interest in Financial Wellness,” October 2014.

[19] Stephen Miller, ibid.

[20] PricewaterhouseCoopers, ibid. 2015.

[21] MetLife 13th Annual Study of Employee Benefits Trends, 2015.

[22] Financial Finesse, 2012 Year in Review Research on Trends in Employee Financial Issues.

[23] MetLife 10th Annual Study of Employee Benefits Trends, 2012.

[24] Financial Finesse, ibid. 2014.

[25] Purchasing Power, “Financial Wellness: Addressing the ‘9 to 5’ Impact of 24/7 Financial Stress,” July 2013, www.purchasingpower.com

[26] PricewaterhouseCoopers, ibid, 2015.

[27] Purchasing Power, ibid.

[28] PricewaterhouseCoopers, ibid, 2015.

Securian Financial Group, Inc.

Group Insurance
www.LifeBenefits.com

400 Robert Street North, St. Paul, MN 55101-2098

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