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News and Information for Employers

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for Your Employees

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Four Ways to Help Reduce Financial Stress for Your Employees



Financial stress may be taking a toll on your employees — and your bottom line. Here are four ways you can help reduce employees' money stress and improve their financial well-being.

financialwellness

financialsecurity

Employee financial stress is a hot topic. So much so, that **nearly 60% of employees cite finances as their primary stressor.**¹ Their financial worries surpass other top stressors, and it's impacting their job performance.

Research shows financially stressed employees are less productive and more distracted at work. They also have higher rates of absenteeism and presenteeism (at work but not fully functioning). Employees typically spend more than three hours a week dealing with their personal finances at work and they lose nearly a month of productive work time (21-31 days a year) due to financial worries.²

Employers simply can't afford to ignore employees' financial stress. Lost productivity due to financial stress costs American businesses \$500 billion annually — around 2.5% of the U.S. gross domestic product (GDP).³

The good news is that many employees want help dealing with their financial strain — and they appreciate their employer's help.

As an employer, you're in a unique position to positively impact your employees' lives by helping them reduce their financial stress. Here are four ways you can help:

- 1- Emphasize financial wellness:** Research shows that financial wellness benefits, when properly structured and executed, reduce employee stress, improve retention, boost productivity and improve a company's ability to recruit and retain top talent.

1. PwC. "8th Annual Employee Financial Wellness Survey." June 2019.

2. Salary Finance. "The Employer's Guide to Financial Wellness." 2019.

3. Salary Finance. "The Employer's Guide to Financial Wellness." 2019.

Nearly three quarters (74%) of employees believe financial wellness is an important benefit, and 60% are more likely to stay with an employer that offers a program to help them manage their money.⁴

Financial wellness programs are designed to help relieve employee stress and anxiety by helping them successfully manage their day-to-day finances, prepare for unexpected expenses and save for the future. To create an effective financial wellness program, you'll first need to understand individual employee concerns. Anonymous surveys are a good way to gather this information so you can tailor the program to their needs.

Keep in mind, however, financial wellness is not one-size-fits-all. Every employee situation is different requiring different solutions and levels of attention.

- 2- **Bring in experts:** Financial wellness programs can help boost your employees' fiscal health and reduce their financial stress over the long term. However, some may have issues that need to be addressed immediately to minimize their financial stress. In fact, 31% of employees want individualized advice about their money concerns.⁵ Giving employees the opportunity to meet with an expert, like a financial advisor, can pay dividends when it comes to helping them manage financial stress related to common concerns such as repairing bad credit, budgeting and saving, medical bills and retirement planning.
- 3- **Encourage employee engagement:** Actively engaging employees in your financial wellness program can reduce their money-related stressors.

Since improving financial security is based on behavior changes, your financial wellness program should be inspiring. Implementing milestones and quick wins — such as creating a budget or canceling an unused subscription service and allocating the savings toward paying off debt — can help keep employees motivated and accountable. The program should also be easily accessible, which helps remove barriers to success. Consider a financial wellness program with online tools that are available from any computer or mobile device — where employees spend most of their time anyway.

- 4- **Help employees save more for retirement:** Nearly 60% of employees say they're stressed about saving for retirement.⁶ Employers can help mitigate that stress by encouraging employees to take advantage of their retirement plan's tax benefits and any employer matching contributions. It's a great way to support lifelong savings behaviors and improve retirement readiness.

When thinking of ways to positively impact your employees' financial and mental health, keep these four strategies in mind. Although financial stress is on the rise, you can play an important role by offering benefits that help your employees improve their financial stability and well-being.

Selecting and implementing the right financial wellness program for your employees can be challenging. We can help you design the appropriate program for reducing your employees' stress and provide them more financial flexibility. Give us a call to learn more.

4. Financial Health Network/Morgan Stanley. "Better for Employees, Better for Business: The Case for Employers to Invest in Employee Financial Health." May 2019

5. PwC. "8th Annual Employee Financial Wellness Survey." June 2019.

6. Employee Benefit Research Institute (EBRI). "Retirement Confidence Survey, 2019."

The Link Between **Employee Productivity, Health** and **Financial Stress**



Financial wellness isn't just good for your employees, it's good for your company. Experts are showing direct links between financial wellness programs and cost savings.

financialwellness
financialfreedom
finance # personalfinance
employeewellness # business

If you think financial wellness programs are a fad, think again. The industry consensus is that financial wellness not only produces results for employees, but it positively influences company bottom lines.

That's good news for a number of reasons, especially for the juggernaut of financial stress in the workplace.

A recent study found that nearly 60% of respondents listed financial matters as the top cause of stress. Additionally, they found that 35% of employees report that issues with personal finances have been a distraction at work.¹

Causes of financial stress vary by generation but include not having enough emergency savings (millennials and Gen X) and, not surprisingly, the biggest financial worry for Baby Boomers is not being able to retire when they want.

The link between stress and employee productivity is real; experts estimate that it costs companies \$500 billion or more a year due to "health costs, absenteeism and poor performance".² More specifically, university research reported:³

40% of job turnover is due to stress.

Replacing an average employee costs 120-200% of the salary of the position affected.

1. PwC, "8th Annual Employee Financial Wellness Survey," June 2019.

2. Salary Finance, "The Employer's Guide to Financial Wellness," 2019.

3. Umass Lowell, "Financial Costs of Job Stress," 2019.



Healthcare expenditures are nearly 50% greater for workers who report high levels of stress. According to the Consumer Financial Protection Bureau, financial stress can increase healthcare costs by about \$400 per stressed employee annually.

By implementing a financial wellness program, your company can help its employees tackle these issues head on, which in turn may help reduce these issues and expenditures.

Expert and renowned personal finance professor, E. Thomas Garman, has stated that incorporating a financial wellness benefit to “reduce the costs associated with financial stress by even 3%-5% can improve a company’s bottom line simply through cost avoidance.”⁴

Another insight comes from Liz Davidson, CEO of Financial Finesse, who said that quantifying ROI with financial wellness wasn’t a slam dunk initially.⁵

“CFOs who look at financial wellness through a narrow lens struggle with the fact that there is no line item on the income statement that shows increased revenue or reduced costs as a result of a financially healthy workforce. Financial wellness has a measurable financial impact but can be hard to measure.”

Davidson and her team set out to research - and measure - the impact of financial wellness by conducting a case study of a Fortune 100 company’s comprehensive workplace financial wellness program from 2009 to 2014.⁶ They focused on a few tangible and trackable elements (garnishments, flex spending/ health savings accounts and absenteeism) and then measured the change in employee financial wellness scores on a specialized 0 to 10 scale.

As the median employee financial health scores went up, the costs to the company diminished, resulting in a measurable bottom-line impact.

“The correlation was so strong,” says Davidson. “For every point increase on the employee wellness scale, there was a direct financial savings per employee for the company.”

Davidson adds that the trackable elements only represent five to ten percent of what a financial wellness program involves. She and her team are working to add elements to their ROI model, including measuring the wellness program impact on healthcare costs, delayed retirements and employee turnover.

Translation: companies could benefit financially even more when you take into consideration the overall program.

While financial wellness programs may have started out as a feel-good benefit, they have quickly become significant contributors to employee well-being and a retention tool with a much needed impact on the bottom line.

And that’s just good business all around.

4. ASPPA. “Measuring the ROI of Financial Wellness.” Sept 2018.

5. 401K Specialist. “How to Measure 401k Financial Wellness Success.” Sept 2017.

6. Financial Finesse. “ROI Special Report.” May 2016.

5 Steps to Create a Financial Wellness Program



Having a financial wellness program is a desirable employee benefit. Read the 5 steps on how to create a financial wellness program your employees will embrace.

financialwellness
financiallyfit # 401kplan
employeefinances
financialsecurity

In today's economy Americans are worried about their finances, and it spills over into every aspect of their lives, even their work.

Let's look at this for a minute and you'll see why having a financial wellness program for your employees is a good thing.

Why Have a Financial Wellness Program for Your Employees?

A recent survey has found that 78% of American workers are living paycheck-to-paycheck.¹ It's no wonder so many workers say they're stressed about finances.

But what does this mean for you, their employer?

Employees stressed about their finances are far more likely to be late to work, absent, sick or distracted and unable to work effectively. According to the Chicago Business Journal, 43% of employees who are distracted by finances spend three or more hours a week at work thinking about financial matters or dealing with them. This equates to **150 hours per worker** per year in lost productivity.² That's a bundle of lost money that employers will never recover.

These numbers are causing employers to take notice, and more and more are establishing financial wellness programs to help.

1. Friedman, Zack. "78% of Workers Live Paycheck to Paycheck." *Forbes Magazine*, Jan. 2019.

2. Lane, Shannon. "Employees' money worries drain employers' bottom line." *Chicago Business Journal*, April 15, 2019.



5 Steps to Create a Financial Wellness Program

Employees generally need help in four areas: budgeting, debt elimination, saving and retirement planning. A good financial wellness program will address these visible areas while also addressing the invisible problem – poor attitudes about money.

The goal of a financial wellness program is to change employees' behavior regarding their finances. A change that can result in educating employees how to handle their finances and thus reduce their stress.

So...you've decided to offer a financial wellness program to your employees. Where to start?

- 1- **Determine the program's goals and the main problem you're trying to solve.** Is it to help your Baby Boomer employees confidently retire? Decrease the burden of student loan debt on Millennials and Gen Xers? Is it to increase employee knowledge about financial planning? Reduce absenteeism? Or reduce healthcare costs? You'll need to take into consideration both your needs and the needs of your employees. It might even be a good idea to conduct an anonymous survey and ask your employees what they would like to see in such a program. Their answers may surprise you. When you do make your decision as to the type of program to implement, be sure to give their interests top priority.
- 2- **Determine your employee demographics.** Are there more Baby Boomers or Millennials? Your employee makeup will determine which financial topics your employees are interested in.
- 3- **Select a vendor.** Most financial wellness programs are conducted by outside vendors who can give unbiased education to your employees about their finances while at the same time keeping their confidences. You will probably bear the cost of the program. Do your due diligence. Select with care the program and vendor you would take with any fiduciary decision.

4- **Have a strong communication plan.**

Advertise the program well in advance. Tell your employees why you're sponsoring the program and how it can help them. Be a little cautious, though, since money can be a touchy subject for many people.

- 5- **Track results regularly after implementation.** Results are important. Has absenteeism decreased? Has 401(k) participation increased? Those are easy metrics to measure. It is more difficult to determine attitudes about money and increased productivity. Those may take a little longer to realize.

Measuring Success

Your ROI? With a good financial wellness program in place, you might:

- Improve employee engagement
- Lower health care costs
- Increase 401(k) participation
- Attract better employees
- Retain top employees

It's a win-win for you and your employees; the program may even pay for itself if you consider the productivity benefits to your company. After all, unstressed employees are happier and happier employees are more productive.

You probably already have different types of wellness plans in your company – smoking cessation, nutrition, fitness. Adding a financial wellness plan to the mix is a natural progression.

Creating an environment where employees feel empowered about their finances is a dialog; we're happy to help with. At our firm, we feel employee education starts with the plan sponsor. We're here to provide resources that can help your employees confidently work toward their financial goals.

About Financial Network Limited

Financial Network Limited (FNL) was founded to provide personalized investment strategies for individuals and families, and distinctive employee benefit programs for employers. Nearly 30 years later, we remain an independent, family-owned and operated firm with the same mission and commitment: to provide comprehensive and innovative client solutions with the highest levels of professionalism and integrity.

We deliver extraordinary value through clear analysis and Fiduciary-focused oversight so our Clients can focus on their careers and families, not the administration of their retirement plan. We continue to refine our processes to improve Plan Sponsor practices and to promote superior Participant outcomes. No “consultant-speak”, no “complicated explanations”. Just simple, accountable results.



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