



39%
of Americans have
enough savings to
cover a \$1,000 financial
emergency.⁷

Empower
your employees
through financial
wellness

Financial Wellness

A core benefit that may reduce stress and support happier, more engaged employees



What is a financial wellness program?

First, think back to the evolution of physical wellness programs. Employers commonly believed that offering health insurance and a discounted gym membership constituted an employee wellness program. Box checked. Now, many employers are beginning to offer healthy lifestyle education, in-person and on-demand resources, and fitness trackers for physical and mental health.

Financial wellness programs are evolving in much the same way. They are in their infancy. Up until a few years ago, many employers felt that a retirement account and direct deposit was plenty, and they shouldn't 'get involved' with employees financial needs. That thinking has evolved. It's generally understood that offering financial education, tools and resources is not just a good thing to do for employees; it's a good thing for business, too.

Employees define financial wellness as achieving financial stability and addressing the issues that cause them the most stress, according to a 2018 PwC employee wellness survey.² Your financial wellness program is what you make of it. Are you still just offering discounts to the gym? Or, are you looking for a modern program that addresses the needs of your employees and gives your total compensation package a real boost?

Financial wellness programs have grown in popularity over the past 5 years. **According to a May report from Prudential Financial Inc., 83 percent of employers offer a financial wellness program, up from 20 percent in 2015.** They also report that employers who offer financial wellness are more satisfied with their total benefits program (61 percent) than those who do not (44 percent).¹

With the increase of workplace financial wellness programs, there are still a number of questions about best practices and what makes a program meaningful for your employees. While more companies are offering the program, there are gaps and inconsistencies that could impact their effectiveness. Here are some of the most common areas of discussion among employers across the nation and solutions to optimize your employee benefits program.



Why financial wellness?

Let's take physical wellness for example. While employees have the ability to learn what they need to know about living healthy through multiple channels, they sometimes don't take advantage of these resources. When employers offer proactive options and raise awareness, it can influence behavior. Employees think twice about taking the elevator instead of the stairs or eating an apple instead of chips.

Small, smart choices bring incremental progress that adds up to a healthier employee – this benefits both the employee and employer.

The same rings true for fiscal health. Yes, employees could research any topic and get an abundance of information, but they often don't take the time to do so. Even more importantly, financial literacy can

impact generations within a family. Most of us receive financial advice from parents, friends and colleagues. If this financial advice is incomplete or dated, it could impact an employee's financial health. Having an objective, trusted resource is critical.

By providing financial education on a regular cadence for an employee, an organization could start to influence their financial well-being. Employees might not always participate in every opportunity, but it could raise their awareness that there are choices to be made with every penny earned. They are empowered to take control and have a stronger fiscal future. If you only offer crisis services, you are reacting to a problem that may have been prevented.

EMPLOYEE RETENTION

Especially in a tight labor market, retention is all the more important. According to PwC, **51 percent of employees feel their compensation is not keeping up with the rising cost of living expenses.**² If your employees are not aware of their options, they could make financial decisions that result in higher expenses. When expenses increase at a faster rate than pay, employee retention can be impacted.


Take for example a first-time homebuyer. Without a full understanding of how mortgages work, they may take the first offer they receive from a lender without the knowledge to ask questions such as how much of a down payment is needed to avoid private mortgage insurance or what are the key differences between a traditional and adjustable rate mortgage.

Financial wellness isn't just about financial literacy. It's about empowering people so they know the questions to ask and make better decisions. Smart financial decisions could lead to better credit scores. These credit scores could lead to lower interest rates, which could lead to lower monthly expenses – voila! If your employees aren't empowered to make smart choices, their expenses can get out of hand quickly. They may consider that their income not only isn't keeping pace with their spending but that their spending is not sustainable with their income.

EMERGENCY SAVINGS AND MORE

In the PwC survey, **a surprising number of employees polled said that their health was impacted by financial worries:**

24 percent of Millennials, 27 percent of GenEx and 23 percent of Baby Boomers. Employees may be making a good income, but if they don't have savings and 'life' happens, it can take a long time to recover financially. This instability happens across all incomes and age groups. For instance, you could have an employee making six figures who contributes to his or her retirement and has a household run on two incomes. If they don't have liquid savings and that second income stops unexpectedly, their financial situation has suddenly changed. They could have trouble adjusting to their new budget without a sound financial education. Finding a partner, like Alliant, that offers an **emergency savings program**, can be the first step to ensure employees come to work worry-free when life happens.



High income
does not equal
financial health

Emergency savings shouldn't be your only area of focus. Employees should be empowered to ask better questions and make smarter decisions before they add new debt. Take for instance this example from Kathy Hall, vice president of business development at Alliant.

“Years ago I went to buy a car. Nothing fancy, I was looking in the used car lot at a local dealership. As I started to focus on one car, the salesperson approached. He told me I could own it for a low monthly payment. I asked what the interest rate and terms would be. He looked at me as if I was being ridiculous, and said, ‘What does it matter if the payments are low.’ It’s entirely possible that the salesperson hadn’t been educated on the importance of looking at rates and terms, but if I had followed his advice and only focused on the monthly payment, the loan could have outlived the car. When I needed another car, I’d then have two loans, and only one car. You can quickly make one bad decision that impacts your future for years.”

No wage limits

A common misconception is that people who earn high wages make smart financial decisions. That is not always true. Among employees earning more than \$100,000, PwC found that 21 percent find it difficult to meet household expenses each month and 42 percent consistently carry credit card balances each month. Also, 37 percent of these employees who carry balances find it difficult to make their monthly payments.² High income does not equal financial health. Many high-earners need to seek guidance and tools to make smart financial decisions as well.

EMPLOYEE PRODUCTIVITY

Productivity has emerged as a clear casualty of the lack of financial wellness. A Bank of America Merrill Lynch study found that **56 percent of employees say they’re financially stressed**. Of those people, 53 percent of them say it interferes with their ability to perform their job.³

The toll of financial stress impacts productivity, health and overall well-being. The same PwC survey found that 44 percent of those stressed about their finances admit to spending three or more hours of work each week thinking about or dealing with their finances.² This silent drain on resources is costing employers real time and productivity.

How do companies implement a financial wellness program?

When it comes to implementing a financial wellness program, you have a variety of choices and partners who can help streamline your offering. Consider these important aspects as you prepare to implement or overhaul your program.

PROGRAM DESIGN

The financial stresses for your employees can vary by life stages, life events, pay, etc. If your employees are across the country, you also need to consider different regional needs. Consider that the Northeast and West Coast have the highest credit card debt, both averaging over \$8,000 per household.⁴ Surveying your employees, by region, even by workgroup, will provide the important information needed to design a program that addresses your employees' needs. Not too many years ago financial wellness initiatives included setting up a table in the lunchroom and giving the human resource contact a list of à la carte seminar topics to pick from. You should, and can, expect more.

Your financial wellness partner may already have a survey that includes both financial literacy and financial pain point questions.

If not, consider creating your own with their help. You don't want to give employees an overwhelming, long list of seminar topics to choose from nor have all questions focused on one life event, like retirement. A well-designed survey can help you truly understand their financial stresses, and it will get them thinking more critically about their finances.

PROGRAM PARTICIPATION

Some financial wellness programs require employees to sign up and provide their personal information so that employees can track their progress over time. By measuring credit scores, for example, programs can track and report on the influence of their program based on improved credit scores. These metrics might be interesting, but you run the risk that employees would be hesitant to allow an employer-sponsored program to pull their credit report and gain insight into their financial situation.


Even if you assure them that only your financial partner will view the data, some employees will be skeptical. When employees in a recent study were asked if they trust their company to protect their data, almost half, 48 percent, indicated that they do not trust their company.⁵ You may have fewer participants if you require people to give up personal information. Therefore, a program that has different levels of disclosure will reach more. **The greater the participation, the greater potential impact you will have on your employees.**

MEASURING SUCCESS

Without capturing individual information, how do you measure success? It can be done simply with employee surveys. A survey will allow employees to self-report the value they see in the benefit.

Some employers also track declines in 401k loans. As employees learn of other opportunities for managing debt and become better savers, the thought is that they could be less likely to use their 401k as an ATM.

Tracking productivity and employee engagement are also useful metrics. In the May report from Prudential Financial Inc., employers that offer financial wellness are more satisfied with their total benefits program (61 percent) than those that do not (44 percent).¹



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COMMUNICATIONS

Creating a communication plan as part of your overall design plan is critical to adoption. Consider other benefits that you've launched: what worked and what didn't? You can take lessons learned and share them with your financial wellness provider(s). In turn, they'll have best practices to share. The convergence of that business intelligence will help design an effective communications strategy.

Employee communications regarding your new program should first come from the employer and then follow with co-branded communications from your business partner. A multi-channel strategy is most effective when it includes email, intranet placement, webinars and media screens. Your launch plan should also include your 12-month calendar. This plan shows your commitment to a long-term strategy and helps build a culture of financial wellness, just as you have with physical wellness initiatives. If you have multiple partners, they should coordinate together, coming back to you with one plan.

It's important to help to build awareness through several channels, and to allow time during the workday for employees to participate. Consider other wellness initiatives and if it makes sense to bring more than one together for various initiatives — or not. By creating a 12-month plan you'll also be able to set expectations for employees, showing your commitment to them and their benefit. This plan shouldn't be time-intensive but it can be a commitment to getting helpful information to employees on a regular basis, with a planned cadence.

MULTIPLE PARTNERS

Often, you will determine that more than one partner makes sense for your organization. You likely already have a retirement provider, a trusted partner for retirement savings and planning. Having a financial institution can be helpful because it can complement your existing offerings. Helping people find their money-life balance with a few trusted resources is an excellent model when the partners work together, focused on delivering a plan that speaks to your employees' needs and their individual expertise. Bringing partners together with the expectation that they will coordinate communication and share aggregate data is a model for success.

MONEY-LIFE BALANCE

What you should consider is how you will help your employees find money-life balance for today and in the future.

Programs that are focused solely on services for those in a financial crisis are alienating a large group of your employees. Human Resource professionals often know which employees are tapping into their 401k. You may also know of employees experiencing a health or family situation that comes with high expenses. Services to help them recover from a financial crisis are important, but they are reactive, not proactive. The balance of your employees, the silent majority, may not have shared their problems. Yet, they're often one life event away from a financial crisis. According to the recent Federal Reserve study, **44 percent of American's couldn't cover a \$400 emergency expense out of pocket.**⁶

So does that mean that the other 56 percent are rolling in the dough? Unlikely. Even \$2,000 in savings can be quickly wiped away with one trip to the ER. Just like we promote proactive measures for physical health, we need to start thinking the same about people's financial health.

SAVINGS AND RETIREMENT

If possible, avoid offering a financial wellness program that is focused solely on retirement savings. You need to consider that if people can't pay their bills, or they are skipping medical care due to costs, it's highly unlikely they will be contributing to retirement savings. Consider this sobering data from the Federal Reserve⁶:

- Over one-fifth of adults are not able to pay all of their current month's bills in full.
- Over one-fourth of adults skipped necessary medical care in 2017 due to cost.
- Less than two-fifths of non-retired adults think that their retirement savings are on track and one fourth have no retirement savings or pension whatsoever.

Employees should contribute to their retirement, but they need foundational knowledge, skills and tools before they will take that seriously. If you don't address their day-to-day financial concerns and only talk about what seems like the distant future, they will tune you out.

How do I find the right financial wellness partner and how much will it cost?

Once you're ready to begin your search for the right financial wellness partner, you'll want to consult a variety of resources. A simple online search can help you quickly create an initial list of options. If you're looking for a few recommendations, **contact Alliant**. We'll help to point you in the right direction whether that means partnering with Alliant or a better-fit provider. It can also be helpful to ask friends or professional connections if they're familiar with financial wellness providers. They may be able to provide guidance from past experience or know someone who could provide a useful reference.

Once you have an initial list of candidates, take inventory of your needs and write down your initial questions. **We've included some questions to consider as you begin meeting with vendors.**

- 1 How long have you provided financial wellness programs?
- 2 How many financial wellness programs do you currently support?
- 3 What is your program's greatest strength and biggest weakness?
- 4 How much effort and time will employees have to contribute to participate?
- 5 What information will you collect and will it be securely stored?
- 6 What is the total cost of the program?
- 7 Can you provide a reference from a current partner?

Unlike some things in life, the value of your financial wellness program isn't defined by what you pay for it. It's more about finding the right-fit partner that aligns with your program's goals and objectives.



Summary

Survey after survey shows that employees want their employers to help them with their finances. The Bank of America Merrill Lynch survey showed 40 percent of employees of all ages would like their employer to provide in-person financial wellness education. Even more, 86 percent said they would participate in financial education at work if it was available.³ This is just one example. All you need to do is survey your own employees and you'll have your own results. You don't need to convince employees that financial wellness is important. It's more about educating organizational decision-makers about the need for an impactful program that will help employees find their money-life balance.

Financial wellness is not a trendy catch phrase or benefit that should be listed alongside discounted amusement park tickets. Financial wellness is an essential part of an employee benefit program for both the employee and the employer. It's important to create a culture of financial wellness to create a happier and healthier workforce. Just think of the impact of empowering your employees to make smarter financial decisions. They bring that knowledge home and that knowledge can influence economic decisions in an employee's family and community. Economic empowerment is attainable. Employers should simply give employees what they're asking for through financial wellness programs. By onboarding a program, like the one [offered](#) by Alliant, you can reduce employee stress while giving your organization a competitive advantage to attract and retain the best and brightest.

About Alliant

Alliant is one of the largest credit unions in the U.S., with more than 385,000 members nationwide. Supporting more than 300 companies, we provide actionable financial wellness benefits in the form of high savings rates and low loan rates. As a digital credit union, Alliant's mission is to provide members consistently superior financial value while simplifying and enabling how people save, borrow and pay.

Learn more at

alliantcreditunion.org/group-banking-program

Supporting
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