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WHAT DO YOU MEAN WHEN YOU SAY FINANCIAL WELLNESS?

You're a smart Chief Financial Officer or a brilliant Human Resources Officer but some questions are still tough to answer.

- Which of these Financial Wellness solutions are appropriate for my people?
- How do I create a coherent program that will reduce my employees' financial stress and keep them focused on their work?

Reducing employees' financial stress is the easiest way to increase productivity, and you've come across a myriad of Financial Wellness solutions that all profess to be the best the world has to offer. Choosing the right solution or the right combination of solutions is a daunting task. This VIEWPOINT is designed to guide you as you evaluate solutions available to build the right program for your situation. Many employers turn to their plan advisor and to their retirement plan service provider to vet or curate content of financial wellness programs for their workforce. Your plan advisor and service providers are best positioned to help you discern what is right for your business.

In this paper, we seek to support decision making with respect to:

- The scope of services to request, and
- How services are delivered

The series of VIEWPOINT reports on Financial Wellness emanates from a request of the Research and Strategic Issues committee of the Retirement Advisor Council.

"What do you mean when you say Financial Wellness?" is one of seven papers we plan to publish in 2020 to guide employers and their plan advisors. Other Viewpoints cover related topics such as the return on investment on Financial Wellness programs, financial wellness programs for the C-Suite, financial wellness programs for women, and financial wellness for workforce entrants to address issues such as student loans and retirement plan savings.

WHAT IS FINANCIAL WELLNESS?

The Consumer Financial Protection Bureau (CFPB) uses these words to define Financial Wellness at work: Financial wellness is a comprehensive approach. It further specifies that financial wellness is a state in which an individual:

- Has control over day-to-day, month-to-month finances;
- Has the capacity to absorb a financial shock;
- Is on track to meet financial goals; and
- Has the financial freedom to make the choices that allows one to enjoy life.*

Goal of Financial Wellness Programs

Support the overall financial health of employees by providing tools and resources to help employees manage their current finances, prepare for financial shocks and plan for their retirement and financial future.

Further, industry surveys define Financial Wellness programs as those that assess and support an employee's "complete financial picture" or the "overall financial health of an individual." The distinction here is that Financial Wellness programs do not take a snapshot approach, focusing on a single aspect of financial planning such as retirement or college savings. Financial Wellness programs look at how all the pieces of an individual's financial life fit together.

Being financially well is a priority for many in the workforce but for some, the lure of a thrill takes precedence over other aspirations. To succeed, we need to recognize that some percent of the population will never adopt financial wellness as a goal.

Financial stress of Employees is Real:

67%

say they are personally stressed about their finances, with 1/3 admitting that personal finance matters are a distraction at work

57%

have less than \$1000 in emergency savings

40%

report health impact from their financial stress

49%

find it difficult to meet their monthly expenses on time, and 35% of employees say personal finance matters are a distraction at work

\$1.6 trillion

in student loan debt

1-5 PwC "Employee Financial Wellness Survey (2019)

6 – Reported student loan debt in 2019 - US Federal Reserve "Consumer Credit-G19" March 6, 2020 (<https://www.federalreserve.gov/releases/g19/current/>)



Address issues that cause financial stress for many employees (including: student loan debt; credit card debt; access to cash in emergency situations; saving for retirement; managing healthcare cost; balancing Health Savings Accounts and High Deductible Health Plans; caregiving; and divorce).

SCOPE OF SUCCESSFUL PROGRAMS

Based on the CFPB report, our immediate focus is on Financial Wellness at work. Whether offered by an external service provider or developed as a proprietary program by a retirement services provider the following attributes seem to be commonly accepted as contributing to a meaningful Financial Wellness program:

- Delivers programs designed to reduce employees' financial stress
- Programs
 - help employees improve financial security by developing financial skills
 - address issues that cause financial stress for many employees (including college debt, credit card debt, access to cash in emergency situation, saving for retirement, managing healthcare cost balancing Health Savings Accounts and High Deductible Health Plans, caregiving, and divorce)
 - support employees' ability to manage both short- and long-term financial needs
 - include a sequence of communications over time so wellness becomes routine
 - integrate employer-provided benefits (retirement, health and welfare) to provide a comprehensive picture to each employee
 - are accessible by the employee's entire family so that all members can benefit and reduce the stress of the employee him or herself

- Programs are
 - delivered over time, not at one point in time
 - interactive and require some participant input
- Programs delivered to each employee
 - a personalized assessment of their current financial wellness
 - a personalized action plan to their current financial wellness
 - a mechanism for employees to monitor progress made and to manage their plan over time
 - periodic coaching to help implement their personalized action plan²
 - an enhanced retirement planning experience or knowledge development (for both retirement savings and retirement income)
 - knowledge development or enhanced experience holistically on the following topics:
 - Debt management
 - Social Security programs
 - Tax management
 - Emergency saving needs
 - Budgeting
 - Protection needs
 - Health savings
 - Wills and legacy

² Coaching can be provided in-person or remotely via online video to deliver an experience akin to telemedicine

SUCCESS METRICS

Metrics to gauge the effectiveness of Financial Wellness programs that must be reported periodically to the employer / plan sponsor include:

objective measures

(e.g. credit scores, debt level, retirement readiness, other outcomes) and/or subjective measures (e.g. employee attitudes)

engagement metrics

(e.g. first-time use, repeat utilization, behaviors, adherence over time)

success stories

or statistical evidence to document the utilization, user adherence, and effectiveness of its programs

ONE STRATEGY TO DRIVE ENGAGEMENT METRICS IS TO DESIGN PROGRAMS TO BE ENTERTAINING. USERS ARE MORE LIKELY TO RETURN TO CONTENT AND TOOLS THEY FIND ENJOYABLE, FUN, AND AMUSING.

Companies Report Value of Financial Wellness Programs to help attract and retain employees, reduce healthcare expenses, increase employee retirement savings and increase employee productivity. Employees are:

**35%
LESS**



**51%
MORE**

**40%
MORE**

FINANCIAL WELLNESS PROGRAM DELIVERY METHODS

Financial Wellness programs must be accessible and delivered not just to employees, but also to their family. Indeed, most individuals gauge the level of their success not only on their personal accomplishment, but also based on the accomplishments of their family. To be successful, a financial wellness program must be accessible by the entire family so all members can benefit and reduce the stress of the employee him or herself. Some describe Financial Wellness programs as a portable expanded Social Security Benefit report.

To be successful at enhancing the financial wellness of employees, programs need to be:

- usable by anyone regardless of literacy, wealth, or earnings (although programs may include components tailored to individual situations).
- delivered to employees as early as possible – at workforce entry and at every employment transition.
- delivered using a combination of media (online, print, in-person, video conferencing, podcasts, audio content, and toll-free contact centers).
- Supported live at least 12 hours a day and 6 days a week.

- available from a trusted source (celebrity, expert individual, expert entity or application).
- mindful of privacy requirements, cybersecurity, and data protection needs.

Programs that make it possible for employees to implement recommendations on the spot by integrating market access to products and solutions have a greater chance of success. Solutions may be available at full price or with a discount.

An important characteristic of the more successful programs is the ability to import / aggregate data from outside sources and other financial wellness programs, and the ability to export data to other solutions upon retirement, employer change, or service provider transition. Programs are meant to be persistent overtime, maybe forever.

Employers that view stress reduction as an important benefit of financial wellness programs need to structure the program to resonate even with employees who are unable to save. To be successful, a program needs to present achievable goals that give hope and comfort to all, including the most destitute in the workforce.



EMPLOYEES ARE NOT PREPARED FOR RETIREMENT

32%

are
**not saving
for retirement**
due to other
expenses and debt.

49%

of those saving for
retirement say they will
likely need to access their
**retirement
savings**
for expenses prior to retirement.

42%

of those who are
**financially
stressed**
expect to work in
retirement for
income reasons.



1 in 4

**PwC
survey**

employees identified a financial wellness benefit with access to unbiased counselors as the employer benefit they would most like to be added.

1 in 4

employees identified help with student loans as an employer benefit they would be most interested in.

78%

of employees reported being financially stressed indicated that they would be attracted to another company that cares more about their financial wellbeing.



BEHAVIORAL FINANCE

Field of research that studies how individuals and organizations make financial choices. Modern behavioral finance research focuses on choice architecture as a driver of decisions (selection of default options, range and placement of options). Behavioral finance has been a major influence on the design of retirement plans in the 21st century.

EMPLOYEE AND FAMILY ASSISTANCE PROGRAM

Voluntary, work-based program that offers short-term confidential assessments, counseling, referrals, and follow-up services to employees who have personal and/or work-related problems. EFAPs address a range of mental and emotional well-being, such as substance abuse, stress, financial hardship, dependent care, grief, family problems, and psychological disorders. EFAPs deliver services only to employees who specifically ask for help.

FINANCIAL LITERACY

Understanding of financial concepts, and ability to exercise financial skills including saving, investing, budgeting, and credit management. Programs designed to enhance financial literacy can help individuals and families address the many financial challenges that await them in real life. Financial literacy programs are designed to develop knowledge. Financial literacy programs in the workplace are often delivered by plan advisors and service providers to support employees' retirement saving habits.

FINANCIAL PLANNING

The process of developing a comprehensive statement of an individual's long-term objectives for security and well-being and the formulation of a detailed plan of action including savings and investing strategy to achieve these objectives. The process of developing a financial plan starts with a thorough evaluation of the individual's current financial state, goals, and expectations.

FINANCIAL WELLNESS

A state in which an individual:

- Has control over day-to-day, month-to-month finances;
- Has the capacity to absorb a financial shock;
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- Has the financial freedom to make the choices that allow one to enjoy life.

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HAPPINESS

Feeling of positive emotions ranging from satisfaction, to pleasure and joy. Happiness is self-determined and can be measured using attitudinal surveys. Some studies have shown employee happiness to be positively correlated with employee productivity and negatively correlated with employee absences.

PARTICIPANT EDUCATION AND COMMUNICATION

Financial education and communication delivered to employees eligible to participate in a retirement plan such as a 401(k), 403(b), or 457 plan, with the ultimate objective of helping employees make informed decisions regarding their retirement plan. Employee communication includes regulatorily mandated disclosures, and other information available to participants on a voluntary basis. Participant education and communication may be delivered by the plan sponsor, the retirement plan service provider, the plan advisor, or a third party selected by a plan fiduciary.

RETIREMENT PLAN

Legal arrangement designed to help employees of one or multiple employers accumulate funds ahead of their retirement, largely on a tax preferred basis. Defined Benefit Pension Plans accumulate funds to reach a specific goal amount. Defined Contribution plans such as 401(k) plan, 403(b) plan, 457 plan, Money Purchase, and Profit-Sharing plans accumulate funds in proportion to current earnings.

RETIREMENT READINESS

Score indicative of the projected ability of an employee to achieve a specific retirement outcome, such as the replacement of a specific percentage of current income at retirement age. Retirement readiness scores are based on current balance, and assumptions regarding investment market returns, asset allocation, projected Social Security benefits, and other factors

WEALTH MANAGEMENT

Financial disciplines such as financial planning, investment advice, legal or estate planning, accounting, tax services, and retirement planning, applied cohesively to manage an affluent client's wealth. The range of services deployed depends on the facts and circumstances of the client's needs.

WELL BEING OR WELLNESS

The condition of an individual or of a group on diverse but connected dimensions such as physical, mental, social, emotional, spiritual, and financial status. Holistic wellness programs delivered at the workplace go beyond financial wellness and seek to make employees well in all aspects of their lives.

About The Council

The Council advocates for successful qualified plan and participant retirement outcomes through the collaborative efforts of experienced, qualified retirement plan advisors, investment firms and asset managers, and defined contribution plan service providers.

Retirement Advisor Council is a brand of EACH Enterprise, LLC

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