RETIREMENT PLAN ADVISORS

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EMPLOYEE RETIREMENT READINESS

How to Design and Implement Behavior Changing Financial Wellness Programs

Why Financial Wellness Matters to Employers

Financial wellbeing is becoming an increasingly important component to employee wellness. According to the American Psychological Association's annual Stress in America™: Paying with Our Health survey, financial issues are the number one cause of stress and play a large role in most preventable stress related illnesses.

The Benefits of an Effective Financial Wellness Program

Employers are realizing that by reducing employees' financial stress levels and improving their overall financial wellness, they can in turn reduce costs in a number of areas that significantly impact their bottom line. According to leading research, employers can achieve an average ROI of 3:1 from their employee financial wellness programs.

Studies have shown that coupling a financial wellness program with one of physical wellness has a multiplier effect on results by increasing employee engagement, performance, productivity and morale while reducing turnover, healthcare costs, and delayed retirement costs.

The Most Significant Cost Savings Benefits

Delayed Retirement Costs	Employees that regularly participate in workplace financial wellness programs contribute 2-3 times more to the employer's retirement plan, making them significantly less likely to have to delay retirement for financial reasons.
Employee Engagement	A successful program can yield a flood of thank you notes and testimonials to employers from employees who deeply appreciate the company's commitment to their financial security—something that increases their own commitment to their employer
Health Care Costs	There is a distinct correlation between financial stress and serious medical conditions
Morale	Financial wellness programs can boost employee morale by showing employees the true value of their benefits and providing positive evidence of the employers' commitment to its employees.
Performance & Productivity	Financial wellness programs can help employees resolve their most pressing financial issues, so they are no longer operating in a state of financial emergency and can be more productive at work.
Turnover	Financial education drives employee satisfaction with pay and benefits. 70% of employees who are very satisfied with their benefits are also satisfied with their jobs.

Studies have shown that implementing a financial wellness program can help to increase employee engagement, performance, productivity and morale while reducing turnover, healthcare costs, and delayed retirement costs.

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Beginning Your Financial Wellness Program and Setting Your Goals

There are many reasons for a company to start a financial wellness program. They can include solving short-term issues or can be more long-term in nature to create a culture where employee wellness is an important component of the company's identity. The potential goals for starting a Financial Wellness Program may include:

- Containing health care costs
- Reducing risk of delayed retirement
- Reducing wage garnishments
- Increasing loyalty to the employer
- Increasing employee benefits awareness and participation

The Importance of Choosing the Right Financial Wellness Partner

Many companies have attempted to undertake the challenging task of adding a financial wellness component to their existing physical wellness benefit that has been included in their employee benefits package. What many have found is that Financial Wellness has different expertise and focus requirements. It is also not easy to understand who is available to take on the various roles that will be needed within the program.

Who will handle the initial employee engagement? What type of employee interactions will be included within the program? What are the results that can initially be expected as well as the results that can be expected over time? What are the metrics that will allow the company to evaluate whether the program has been a success? How will these success metrics be tracked? Who will initiate employee follow up? What will be the format with which employee follow up will be completed?

These are just some of the questions that will have to be answered in the planning stages of a financial wellness program. It has been shown that partnering with a firm that specializes in Financial Wellness programs is a key element to creating a successful Financial Wellness program.

Determining Your Metrics and Developing the Infrastructure to Collect, Manage and Analyze the Data

Key areas of focus for determining your metrics are:

- Employee feedback on overall program, particular education topics, and particular methods of service delivery
- Employee usage of services
- Employee behavioral change
- Marketing initiatives
- Employee responsiveness to program changes and developments

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Once the key areas of measurement focus have been determined, it is important to match it with the infrastructure that will be needed. When choosing your Financial Wellness partner, you should consider the partner's ability to provide the needed infrastructure to gather, analyze and report on the data produced by the program and determine whether their infrastructure will be sufficient to accomplish the goals for the program.

Finally, you will want to refine your Financial Wellness Program based on the data you collect. This step would include breaking it down by the various financial categories offered within the program, breaking it down by work group, department or geographic location, and breaking it down by demographic.

An Example of an Effective Financial Wellness Program

A Fortune 500 Company that has won awards and high praise for the Financial Wellness program that they implemented began to track their significant metrics and calculate the ROI of their program for employees that used the program between 2009 and 2011. The Company found that it achieved significant ROI through reductions in employee health care costs, increased retirement plan participation and deferral rates, and increased cost savings in other strategic HR initiatives.

The company saw a 21.57% savings in health care costs for heavy users of the financial education program vs. 4.19% for non-users in 2009 and 2010.

The company saw significant action taken by employees to improve their finances within 30 days of beginning participation in the financial wellness program. Over 90% of these participants took at least one step to improve their finances and 78% took two or more steps. Many made improvements that will result in long-term benefits to them including reducing their monthly expenses, reducing credit card debt and increasing the contributions to the 401(k).

The company was then able to extrapolate the cost savings to the company represented by their employees changing their financial behavior. The key metrics they used were health care claims, absenteeism, wage garnishments and Flexible Spending Account participation. The results were dramatic. The company's costs across all four metrics were reduced for users of the financial wellness program vs. non-users. For users, healthcare costs to the company were 17% less, their number of days absent improved by more than ½ day over non-users, the cost of garnishments improved by 2.6% and observed a 32% savings on FICA taxes payable due to improved use of the company's Flexible Spending Accounts.

The intangible improvements were almost as powerful with 99% of participants reporting that the Financial Wellness program is an important employee benefit and that they would recommend it to a co-worker, and 98% reporting that they are better prepared to make a financial decision.

Ask your 401(k) Advisors – Arizona advisor today about how we can help you and your employees set and achieve your Financial Wellness goals.

Contact us today to learn more:

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