Financial Wellness

Workplace Financial Wellness

Considerations for implementing a formal financial wellness program.

By Tony Verheyen, Tim Kohn, and Brandon Diersch

While findings from PSCA's 59th and 60th Annual 401(k)/Profit Sharing Surveys suggest modest, albeit growing, adoption of formal financial wellness programs in the workplace (from 17.8 percent to 22.0 percent of respondents), recent studies produced by other organizations report that workplace financial wellness is gaining significant traction and interest among plan sponsors.

This article offers eleven tactical considerations for plan sponsors to apply to their financial wellness discussions, decisions, and initiatives.

Definitions

First, as a discussion with any group of plan sponsors reveals, universally accepted definitions for "financial wellness" and "workplace financial wellness" do not exist.

In the context of defining financial wellness, plan sponsors participating in recent PSCA City Events have attempted to define it as:

- Individuals being financially literate and understanding key personal finance concepts.
- Individuals having a healthy relationship with money and personal finance.
- Individuals preparing for and acting in ways that satisfy future financial needs.
- Individuals making better spending, saving, borrowing, investing, and protecting decisions.

As Neil Lloyd, Head of Defined Contribution & Financial Wellness Research at Mercer suggests, perhaps it would be best for all stakeholders in the discussion (i.e., plan sponsors, advisors, providers, etc.) to adopt the four basic elements of "financial wellbeing" identified by the Consumer Financial Protection Bureau (CFPB) in 2015:

- Feeling in control
- Having the capacity to absorb a financial shock
- Remaining on track to meet goals
- Possessing the financial flexibility to make choices

This article is intended to provide practical guidance and assumes the definition for financial wellbeing includes all of the above descriptions.

Second, the characterization of "worksite financial wellness" is equally open-ended. For the sake of this article, we distinguish between "informal" and "formal" approaches.

- **Informal Program.** Employers providing traditional benefits, such as health insurance, life insurance, retirement, flexible spending accounts, tuition reimbursement, and Employee Assistance Programs, arguably already address some basic elements of financial wellness and thereby provide an "informal" workplace financial wellness program.
- **Formal Program.** Employers engaging in deliberate efforts to address specific financial wellness elements by synchronizing existing programs (e.g., wellness, retirement, HSAs), adding new plan features (e.g., financial education, credit counseling, student debt refinancing), and coordinating resources (e.g., communication, website, financial planners), provide a "formal" workplace financial wellness program.

For the remainder of this article, it is assumed readers are interested in important considerations relating to "formal" approaches to workplace financial wellness.

Formal Program Considerations

Before implementing a "formal" workplace financial wellness strategy and embracing specific tactics, stakeholders should assess organizational and workforce characteristics, needs, and circumstances.

1. Determine Organizational Attitude

Plan sponsors should consider their organization's attitude — in particular, senior leaders and front-line managers — toward employee wellness and life skills. If management has historically rejected traditional wellness efforts or been disappointed by past initiatives, program managers might consider focusing on targeted, limited-scope efforts (e.g., student debt refinancing, consumer credit counseling). Alternatively, if management has historically supported wellness and life skill improvement efforts, program managers might consider full-blown and integrated programs, and longer-term commitments.

2. Identify Intended Audience

Plan sponsors should evaluate their potential audience. While all employees — at all levels — can benefit from financial wellness, program managers can optimize the investment by tailoring efforts to employee cohorts exhibiting higher rates of financial distress. Concurrently, program managers should use the program to promote participation in or appreciation for specific benefit plans by all employees. In this effort, employee drivers such as behavior, aptitude, and receptiveness, should be considered.

3. Identify Business Partners

Given widespread perception that financial distress affects other aspects of organizational wellbeing, vendors across the benefits spectrum are attempting to demonstrate their ability to address the problem. As such, it is possible other business partners may be working unilaterally to implement similar initiatives. For the sake of continuity and consistency, it is wise to identify and communicate with all potentially interested parties (at least initially), and confirm oversight responsibilities.

- **Internal business partners** could be colleagues from strategy, human resources, benefits, finance, risk management, payroll, wellness, communications, training, and other teams. The probability that some or all individuals have a vested interest in financial wellness increases with the organization's size. Once identified, project managers should invite strategic and design input from internal business partners, and for insight into unidentified resources that might contribute to program success.
- **External business partners** could be current and potential providers, and they should be used to recognize gaps, tap underutilized resources, and identify marketplace best practices. When vetting new vendors, project managers should evaluate the vendor's financials, reputation, client demographics (e.g.,, count, size, services rendered), personnel (e.g., employee headcount, titles, responsibilities, and experience), deliverables, technology, cybersecurity, reporting, cost structure, and conflicts of interest.

4. Set Organizational Goals

Plan sponsors should consider the need for measurable outcomes. While large organizations tend to demand objective evidence of program success, small employers often defer to subjective evidence. Regardless, goals should be realistic and relevant.

Common objective improvements include:

- **Human Capital Expenditures.** Includes reduction in glucose levels in biometric screenings, reduction in health claims related to systemic physical and mental illness, reduction in employee turnover costs (e.g., hiring, onboarding, admin, and severance), reduction in employee absence-related costs (e.g., Family Medical Leave, Workers' Compensation, and Short´Term Disability), improved responses to financially-oriented questions included on Health Risk Assessments (e.g., ability to cover an unexpected $1,000 health expense), and reduction in presenteeism (onsite problem resolution, non-work-related phone, e-mail, and internet time).
- **Plan Participation and Utilization.** Includes increased participation and deferral rates in defined contribution retirement plans, decreased retirement plan hardship withdrawal and loan requests, increased utilization of non-inflationary voluntary benefits (e.g., ancillary life, group legal, employee assistance, and discount purchase programs), increased utilization of tax-favored spending programs (e.g., Health

Savings Accounts, transit reimbursement, dependent care, and adoption assistance), and increased use of payroll-deduct savings and direct-payment features (e.g., student debt and consumer debt consolidation and repayment).

- **Employee Engagement and Satisfaction.** Includes improved responses to employee benefit satisfaction surveys, increased employee attendance at onsite and online educational events, improved attendee evaluation forms solicited during educational events, reduced time spent at work using work-based resources to deal with personal financial matters, and increased participation in organizational games and contests sponsored by the organization and/or other financial wellness stakeholders.

Subjective improvements relating to a formal financial wellness program can be qualified and reported as anecdotal feedback reflecting changes in preretiree confidence about retirement, satisfaction expressed by participants, newfound cooperation between business partners, employee testimonials, as well as managers and administrators reporting fewer concerns about employee financial wellbeing.

5. Define Program Scope

The scope of the formal financial wellness program will depend on the goals and resources. There are three ways to characterize the scope of solutions currently available.

- **Integrated vs. Siloed Solutions.** An integrated program addresses financial needs across the organization's benefits platform and coordinates with other benefit plans, wellness initiatives, life skill initiatives, and personal financial matters, such as emergency savings, basic budgeting, consumer debt, and estate planning. Siloed programs are not tied to existing benefit plans, and promote stand-alone services, such as mobile apps (e.g., Mint, Betterment, Moven), student debt, or retirement planning.
- **Holistic vs. Limited-Scope Solution.** Comprehensive programs address the wide range of employee needs including saving, spending, borrowing, investing, health planning, estate planning, etc., and might be employed by organizations seeking to tie health, mental, and financial wellness needs for the workforce. Limited scope programs address the unique needs of an isolated workforce cohort or specific workforce challenges, such as HSA/401(k) savings optimization.
- **Consultative vs. Transactional Solution.** Consultative programs provide counseling, coaching, education, and other services, aimed at empowering employees to make better personal financial decisions. Transactional programs opt for quick, easy, and cost-effective solutions that eliminate momentum-eroding deliberation and facilitate immediate implementation of solutions to typical employee problems, such as emergency account funding, student debt consolidation, and consumer debt consolidation.

6. Define Desired Actions

In a formal financial wellness program, plan sponsors should have a clear understanding about the desired outcomes and create linear paths for desired actions that relate to articulated goals. This might include creating efficient avenues to new or existing services that result in desirable actions (e.g., call a counselor, contribute to the HSA, purchase identity theft protection). As desired actions are defined, consider ways to make desired actions less contemplative and more reflexive; behavioral research suggests that the former is more likely to result in inaction.

7. Inventory Existing Resources

Plan sponsors should inventory existing resources that could improve employee financial wellbeing. *First,* review internal and external employee feedback surveys for insight into financial problems, attitudes, and needs. *Second,* solicit insight about workforce and unused resources from advisors and vendors involved with health and welfare benefits, retirement benefits, workers compensation, payroll, and wellness. *Finally,* talk to internal IT and communications personnel about requirements and resources related to potential integration and implementation.

8. Evaluate Program Governance

Plan sponsors should consider the extent to which financial wellness initiatives impact compliance or risk management; i.e., do not assume financial wellness is an unregulated and risk-free endeavor. *First,* if benefit plan management is split between human resources and finance, an executive decision should be made about final authority and program oversight. *Second,* program managers should understand the fiduciary and legal responsibilities associated with the diverse array of financial wellness initiatives. For example, failing to consider ERISA, HIPAA, ACA, and ADEA, when using health plan incentives to encourage workplace financial wellness participation could create material compliance problems for the plan sponsor. *Finally,* program managers should fully vet current and potential vendors to identify and expose potential conflicts of interest and underlying compensation schemes.

9. Identify Data Sources

In larger organizations, particularly those self-funding medical, pharmacy, and disability claims, and those having significant leverage with vendor partners, sources of useful financial wellness indicators are abundant. Possible sources include health and welfare plans, retirement plans, wellness programs, Employee Assistance Programs, payroll, employee satisfaction surveys, etc. Equally important, larger organizations possess the ability to compare outcomes between different cohorts (e.g., operating companies, business units, locations, and job classes). Where health information is used, be certain to use PHI-compliant health-related data to ensure compliance with HIPAA privacy rules.

In smaller organizations, measurable data and feedback may not be statistically relevant, but it can still provide meaningful feedback to stakeholders. Positive employee feedback, increased plan participation, and improved plan utilization, can be important to owners of closely held businesses and leaders of non-profit entities.

Feedback gained from employee satisfaction surveys, health risk assessments, vendor-related feedback solicitations on workshop evaluation forms, and focus group feedback, provides excellent insight into future topics. Following are examples of questions to consider asking:

- How do you feel about your ability to cover an unexpected $1,000 financial emergency?
- How do you feel about your ability to save adequately for retirement?
- Which of the following financial topics do you want to learn more about?
    - Credit History
    - Basic Investing
    - Health Savings
    - Consumer Debt
    - Advanced Investing
    - College Savings
    - Student Debt
    - Insurance at Work
    - Retirement Savings
    - Budgeting
    - Insurance in Retirement
    - Estate Planning

10. Requisition Appropriate Tools

It is essential for plan sponsors to conduct thorough analysis in the vendor selection process. Tools can include counseling programs, coaching programs, incentive programs, contests and quizzes, workshops, videos, podcasts, books, calculators, legal documents, scoring systems, debt restructuring services, and payroll deduct programs. Tools should be congruent with the goals, needs, and circumstances that inspired the search, and plan sponsors should consider how prospective tools will complement, supplement, or replace existing resources.

11. Develop Communication Approach

Key considerations for successful financial wellness communication begins by relating to employees at all levels. Program managers should strive to empathize with employees' needs for clear information, understand employee communication preferences, and create simple paths for employees to implement desired actions immediately (e.g., offer an "Easy Button").

Most organizations do not require large budgets and customized communications to implement highly effective financial wellness programs, but program managers should understand which communication approach works best to motivate the workforce. Plan sponsors should adopt messages that:

- **Avoid:** jargon; un-relatable math, graphics, figures, and estimations; messages that shame, condescend, finger-point, or confuse; legalese and disclaimer language
- **Embrace:** simple, actionable, eye-opening, creative, and visually applicable messages; internal influencers acting as financial wellness champions within the workforce
- **Incorporate:** personalization, targeting, and branding; employee feedback, testimonials, and shared success stories

Plan sponsors have an abundance of media options at their disposal, including texts, Twitter feeds, e-mails (generic, targeted, and personalized), video postcards, web-based (e.g., websites, blogs, videos, podcasts, flipbooks), and print (e.g., postcards, letters, books, workbooks). The media implemented should reflect the sophistication and preference of the targeted audience.

At all times, employee communications should support program goals and highlight the organization's commitment to improving employee financial wellbeing.

Conclusion

As the financial wellness movement continues to grow, we recommend organizations weigh the costs and benefits associated with a formal program. If it is determined that a formal program makes sense, program managers will be rewarded for thoroughly contemplating the key tactical considerations highlighted in this article. Doing so can increase the probability of converting the organization's current benefits platform into an optimal, financial wellness platform for the organization and its workforce.

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