

It might be time for a financial wellness checkup

Does your workplace offer a financial wellness program? Do you participate and find value in it? Financial stress affects 57 percent of employees, according to a survey by PwC in 2017. This stress runs the spectrum in the workforce as younger employees struggle with high student-debt levels and workers nearing the end of their careers fear not having enough saved for a comfortable retirement. Financial stress leads to distractions and, in some cases, absenteeism and employee turnover, not to mention the impediments on physical health.

A well thought-out workplace financial wellness program can provide for a more engaged and focused workforce. In addition, a financial wellness program might just be that much-needed differentiator at a time when it's extremely difficult to recruit and retain talented people.

A financial wellness program comes in all shapes and sizes. With over 300 vendors in the United States offering financial wellness programs, there is certainly one that fits well for your organization. This is a rapidly growing area as employers have taken notice of the advantages. A successful financial wellness program will address both short- and long-term goals.

Here are some of the more important features.

Education

This should be the foundation of a



INDUSTRY INSIGHT

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wellness program. A Spectrum Group survey of defined contribution participants found most plan participants have a very low level of knowledge about their retirement plans. In fact, 71 percent of the 400 that were surveyed failed to answer half of the questions correctly.

Budget, spending and debt

This is an area of major financial stress for many employees. The number of employees living from paycheck to paycheck is high, and people often do not have an emergency fund to protect against the unforeseen. This can lead to borrowing money at rates that are extremely high from credit cards or other sources.

Investing

Defined contribution plans, such as 401(k)s, will be a major source to fund an employee's retirement. There has been a fundamental shift over the years from

defined benefit, or pension, plans to defined contribution plans. Research by Willis Towers Watson reveals that only 16 percent of Fortune 500 companies offer pension plans, compared with 59 percent in 1998.

Many pension plans were frozen because of the financial crisis in 2008. With this shift, the burden of saving for retirement has been placed on the employee. This extra responsibility can be a very difficult task for employees that are not familiar with savings rates or investing in capital markets. This is where a comprehensive financial wellness program can add a tremendous amount of value.

Many 401(k) providers offer education to participants, but they are often inadequate. Largely, these education opportunities are online and, while they provide many interactive tools that are useful, most employees are not trained how to use the tools. While online resources can be a useful tool, they certainly do not compare with the value in face-to-face meetings and discussions.

Insurance planning

Planning for insurance can be complex, with many employers offering their employees a menu of options. Just like investments, it can be challenging to navigate

through the various options. In addition, more challenges arise when there are two sources of income for the family, and each employee has various options through their respective employer.

Also, it's of equal importance to identify any gaps in coverage, i.e., a need for life insurance or disability coverage if an employee were to become injured, disabled or pass away.

It will be important for employers implementing financial wellness programs to apply measurements to assess the value they are adding to their employees. A concept that seems to be gaining attention right now is a financial wellness program that targets specific groups of employees. One idea is to divide employees into groups tied to their generational identification and deliver solutions targeted at the issues common to each group.

Just like with any good plan, an employer financial wellness program must be monitored and adjusted over time to stay current. The review frequency can vary, but annually is a good place to start.

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