

## CONTRIBUTORS

Jessica Fox  
Chair, Editorial Board  
Prudential Retirement

James M. Aid AIF®  
AID Wealth Solutions Groups at RBC

Jerry Bosch  
RBC Wealth Management

Jason Burlie  
Prudential Retirement

Nathan S. Cassel  
Plan Pilot

Robert Clark AIF®  
Marsh McLennan Agency

Michael A. Coelho AIF C(k)P®  
Sageview Advisory Group

Marcela Curry  
Milliman, Inc.

Wendy Daniels  
Transamerica

Derek Fiorenza C(k)P®, CPFA,  
AIF®, PPC™  
Summit Group Retirement Planners

Matt Foster  
Franklin Templeton Investments

Steve W. Glasgow AIF®, CFA, CIMA®, PRP®,  
Tower Circle Partners

James E. Graham CEBS®, CIMA®, CPFA®  
CAPTRUST Financial Advisors

Erin Hall AIF®  
Strategic Reyrirment Partners

Paula Hendrickson CFP®, C(k)P™  
NFP Securities

Thomas E. Hoffman AIF®, CFS, CRPS  
KAF Financial Advisors, LLC

Charmaine Hughes-Lee  
Transamerica

Michael M. Kane AIFA®, CBFA,  
CLU, ChFC, Plan Sponsor Consultants

Jason Key  
Lincoln Financial Group

Robert Massa AIF®, CBC, ChFC, CEBS®  
Qualified Plan Advisors

Matt McLaughlin PRP®  
The MHC Group at Graystone Consulting

Patrick McKiernan, CPFA®  
Plan Resource Group at RBC

Kevin Murphy  
Franklin Templeton

Michael R. Paris, AIF®  
Paris International

Troy Redstone AIF®, CFEI®,  
CBFA®, CPFA®  
PHD Retirement Consulting

Mike Reilly  
MassMutual

James D. Robison AIF®  
Strategic Retirement Partners

Jessica Ruggles  
Prudential Retirement

Daniel Schatz  
Hartford Funds

Scott L. Schlappi CEBS®, CPFA®, AIFA®  
Wealth Plan Advisors

Suzanne Schmitt  
Prudential Retirement

Steve Smith  
AIG Retirement

Rich Sotell CFP®  
Kraematon Group

Martha Spano CRPS  
UBS Financial Services

David Stofer ChFC, CLU, AIF®  
Mariner Retirement Advisors

Patrick Stuhr AIF®  
Legacy Retirement Partners

Marko Damion Ungaschick AIF®  
Two West Advisors

Michael A. Webb CEBS®  
Cammack Retirement Group

## A RETURN ON WELLNESS – MEASURING FINANCIAL WELLNESS PROGRAMS



Financial Wellness programs are designed to help employees manage their finances, budget for life events and reduce financial stress that impacts absenteeism, productivity, and job performance. Are Financial Wellness programs a fad, or do they really work? How can the results be measured?

This VIEWPOINT is one of a series of papers on Financial Wellness programs and is designed to guide you in quantifying the value of these programs to an employer.

## Summary of Financial Wellness Programs

According to the Consumer Financial Protection Bureau, Financial Wellness is the state in which an individual has control of their daily and monthly finances, has the capacity to absorb a financial shock, is on track for meeting their financial goals, and has the financial freedom to make the choices that allow one to enjoy life. Financial stress of employees is recognized to have an adverse impact on their job performance and retirement savings, and results in increased costs to the employer.

The goal of Financial Wellness programs is to support and improve the financial health of employees by providing tools and resources to help employees manage their current finances, protect against financial shocks and plan for a secure financial future.

Financial Wellness programs vary in design, provider and scope. The best-in-class Financial Wellness programs provide for a personalized initial assessment of each employees' financial health and a mechanism to monitor

improvement, can be accessed by the entire employee household, and provide guidance on next-best-actions, tailored to the particular employee population needs. See the Retirement Advisor Council VIEWPOINT [\*What Do You Mean When You Say Financial Wellness?\*](#) for more information on the design of a good Financial Wellness program.



# Financial Stress of Employees is Real:

67%

say they are personally stressed about their finances<sup>1</sup>

49%

find it difficult to meet their monthly expenses on time<sup>2</sup>

45%

have less than \$1000 in emergency savings<sup>3</sup>

68%

of employees stressed about their finances have less than \$50,000 in retirement savings<sup>4</sup>

40%

report health impact from their financial stress<sup>5</sup>

84%

report their student loans negatively impact the amount they're able to save for retirement<sup>6</sup>

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

6 – Reported student loan debt in 2019 - TIAA-MIT AgeLab Study, 2019

# Employee Financial Stress Impacts the Employer

**35%**

of  
**employees**  
are distracted by  
their finances

**49%**

of those distracted spend  
**3 or more**  
work hours each week  
dealing with issues related  
to their personal finances

In a hypothetical example (based on

**10,000 employees**

earning

**\$30/hour of salary**

for 46 weeks per year (subtracting vacation,  
PTO and holidays), we know that

**3,500 employees**

are financially stressed

**If 49% of them**

spend 3 work hours each week on personal  
finance issues, it is costing the company

**\$154,350 weekly**

(1,715 employees x 3 hours x \$30 per hour)

**\$7.1 million annually**

(\$154,350 x 46 weeks of work)

**Recovering 1 of those hours**

for each employee each week would allow the  
company to recoup a third of that amount

**\$2.4 million — each year**

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Poor financial health can have severe consequences for both the employee and the employer. Financially stressed employees are less productive, are more likely to miss work or leave their jobs and incur increased healthcare costs than less-stressed employees. Financially stressed employees have more ulcers, headaches, severe anxiety and depression, heart attacks and other issues, resulting in increased healthcare costs for the employer. Conversely, good financial health can also promote better physical health. Financially secure individuals are able to access healthy foods, afford healthy habits like gym memberships, make preventative doctors' appointments, and take time off of work to heal when sick.

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# Root Causes of Financial Stress that Wellness Programs Should Address

The increase in employee financial stress has resulted in large part from economic and workforce disrupters over the last few decades which show no sign of abating. The progressive shift from a Defined Benefit to a Defined Contribution approach to retirement benefits has placed the onus for retirement security onto individual employees. The shift hinders employees' ability to save for other purposes. The 2020 coronavirus pandemic has highlighted the financial vulnerability of the workforce and the need for Financial Wellness programs. A well-structured Financial Wellness program should address many of the roots causes of financial stress:

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Increased housing prices and extreme housing shocks

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Market volatility, as seen during the recent events like the Great Recession and the coronavirus pandemic, and its relation to retirement savings

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Periods of high and prolonged unemployment following economic downturns, especially for Millennials who have also experienced job loss during the Great Recession, and for Generation Z that is just entering the workforce

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Changing nature of work, and increasing integration of AI and technology requiring new skill sets to advance in current job and to be marketable for other jobs

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**LIVING**  
PAYCHECK-TO-PAYCHECK,  
WITH LACK OF AN  
EMERGENCY SAVINGS.

A 2019 FEDERAL RESERVE  
REPORT FOUND THAT

**40%**

OF AMERICANS  
WOULDN'T BE  
ABLE TO COVER A

**\$400**

**EMERGENCY**

WITH CASH, SAVINGS OR  
A CREDIT-CARD CHARGE  
THAT THEY COULD  
QUICKLY PAY OFF.

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Increased student loan and other consumer debt that employees are carrying throughout their working lives and into retirement

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Rising healthcare spending by families has far outpaced any increase in employee wages over the last decade

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Increased lifespans and longevity of loved ones with Alzheimers' and other diseases escalate caregiving needs

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Increased lifespan in retirement that needs to be funded, as well as a greater possibility of needing long-term care.

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An objective Financial Wellness assessment can play a pivotal role in providing actionable feedback to employers regarding the appropriate intervention and plan design. The Financial Wellness program can then be tailored to address the specific goals and needs of the particular workforce.

# Evidence of the Value of Financial Wellness Programs to the Employer

For employers considering whether to set up a Financial Wellness program, case studies, industry insights and surveys serve as a compelling case for the value of Financial Wellness program.

## CASE-IN-POINT

For example, Prudential established a baseline for measuring the financial stress of its employees and benchmarked it against WebMD's national industry benchmark (see graphic). During an 8-year longitudinal study, Prudential deployed a mix of solutions to improve the financial health of its workforce and impact broader human capital outcomes, including digital and in-person education and engagement, access to financial advisors, innovative plan design and human resource policies like expanding paid parental leave. Over this period of time the financial stress levels dropped from their peak at 34% to less than half at 16%. This reduction of stress saw a correlation to improvements in job satisfaction, life satisfaction, reduction in overall stress and reduction in depression indicators. Individuals with lower levels of financial stress were 2 times more likely to stay in their employment, retaining key talent, and missed, on average, one week less of work per year due to short term disability. The Financial Wellness program improved the quality of employees' lives, and for Prudential, it demonstrated improved productivity, retention, and reduced administrative costs associated with turnover.



# How to Measure the Return on Investment of Financial Wellness Programs

Employers that have implemented Financial Wellness programs benefit from tracking the success of their program over time to assess its value and to make enhancements. Employee surveys and internal information gathered prior to launch establish a baseline. To fully assess the return on investment metrics tailored to the goals of the Financial Wellness program must be established and performance against those metrics measured periodically.

The baseline metrics of employee engagement can help employers determine if the program is appropriately delivered and which features of the program are most widely used by the various employee demographics. The following qualitative and quantitative metrics are commonly used in measuring the return on investment of Financial Wellness programs:

1. Employee and manager surveys to measure changes in employee:

- Morale and job satisfaction
- Absenteeism
- Satisfaction with and level of engagement in the Financial Wellness program
- Financial stress
- Debt level
- Confidence in personal retirement readiness

2. Data points can be used to determine changes in the following, all of which can be quantified:

- Number and amount of wage garnishments
- Number of absences and tardiness
- Workforce retention
- Amount of health insurance claims and costs
- Number of workers compensation and disability claims
- Level of employee participation in the workplace retirement plan
- Plan loans and in-service distributions
- Enrollment in and contributions to payroll deduction HSA/FSA plans
- Participation and utilization of other employee benefits, such as paid parental leave.

## Conclusion

Employee financial stress can impact absenteeism, employee engagement, talent retention, healthcare costs, delayed retirements and labor cost. A well-structured Financial Wellness program will provide education, tools and resources to address the causes of financial stress within a workforce. Academic research and industry data can help demonstrate the overall return on investment of Financial Wellness programs; however, each employer should develop its own metrics to determine the value of, and needed changes to, a Financial Wellness program tailored to its own employees over time.

i Prudential, "The Longevity Connection: Prudential's Perspective on the Stanford Sightlines Project, 2016. Stanford Center on Longevity, "The Sightlines Project Seeing Our Way to Living Long, Living Well in 21st Century America, 2016.

ii For example, failure to adequately manage diabetes can lead to low energy levels, impaired vision and sensation in limbs that compromise work quality or safety, according to a 2018 Study Connecting Disease Indicators To Work Outcomes: Type 2 Diabetes by the Center for Workforce Health and Performance at Tufts University. <https://www.tcwhp.org/population-health-personalized-medicine-connecting-disease-indicators-work-outcomes-diabetes>

iii See PWC's 8th Annual Financial Wellness Survey, 2019 results outlining many of the causes for financial stress, even in well-performing economy. <https://www.pwc.com/us/en/industries/private-company-services/images/pwc-8th-annual-employee-financial-wellness-survey-2019-results.pdf>

iv Board of Governors of the Federal Reserve System May 2020 - Report on the Economic Well-Being of U.S. Households in 2019 <https://www.federalreserve.gov/publications/2020-economic-well-being-of-us-households-in-2019-preface.htm>

v The U.S. Bureau of Labor Statistics announced in April 2020 that the unemployment rate was 14.7%. Layoffs, furloughs and eliminations induced by the economic slowdown may have a sobering view of the future. <https://www.bls.gov/opub/ted/2020/unemployment-rate-rises-to-record-high-14-point-7-percent-in-april-2020.htm>

vi In new research by economists Professor Steven J. David of the University of Chicago Booth School of Business, Jose Maria Barrero of Instituto Tecnológico Autónomo de México and Nick Bloom of Stanford University, which estimates 42% of recent COVID-related layoffs will result in permanent job loss and it will be spread very unevenly among job industries. <https://news.uchicago.edu/story/will-coronavirus-related-job-losses-eventually-return>

vii According to the Federal Reserve Board, total student loan debt in September 2020 was \$1.7 trillion. <https://www.federalreserve.gov/releases/g19/current/> Fifty-four percent of young adults who went to college took on some debt, including student loans, for their education. First generation college students are more likely to be behind in student loan payments. <https://www.federalreserve.gov/publications/2019-economic-well-being-of-us-households-in-2018-student-loans-and-other-education-debt.htm> One example of a program to help employees manage their student loan debt is that of Prudential Financial, working in partnership with Vault, to introduce a loan optimization and paydown solution as part of a more integrated Financial Wellness program for its clients. From a cohort of about 1,500 employees, 28% of employers reported an improvement in job retention (Vault 2019 analysis of a cohort of 1,500 employees receiving student loan contributions from their employer using Vault Pay showed a 28% improvement in job retention, when controlling for other variables. Prudential's own data suggests were early correlations between the solution and healthy financial behaviors within a DC retirement plan, including an increase of 11% in plan participation and an increase in 24% contribution rate.

viii Over the last decade, healthcare costs incurred by families covered by large employers – including premium contributions and out of pocket spending on health services – has increased 67% from \$4,617 to \$7,726, according to an August 2019 brief by the nonprofit Kaiser Family Foundation, Tracking the rise in premium contributions and cost-sharing for families with large employer coverage, by Matthew Rae, Rebecca Copeland and Cynthia Cox. <https://www.healthsystemtracker.org/brief/tracking-the-rise-in-premium-contributions-and-cost-sharing-for-families-with-large-employer-coverage/> Healthcare costs incurred by families with small to medium employer coverage are generally larger due to lack of bargaining power and smaller risk pools.

*Luke J. Novak*

**Vice President  
Rothschild Investment Corporation  
311 S. Wacker Drive STE 6500  
Chicago, IL 60606  
Office: (312) 983-8975  
Fax: (312) 983-8968  
[lnovak@rothschildinv.com](mailto:lnovak@rothschildinv.com)**



## 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.



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Retirement Advisor Council | 61 Rainbow Road | East Granby CT 06026 | [www.retirementadvisor.us](http://www.retirementadvisor.us)