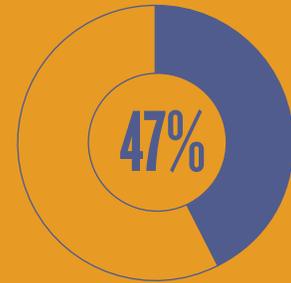


# MOVING THE NEEDLE

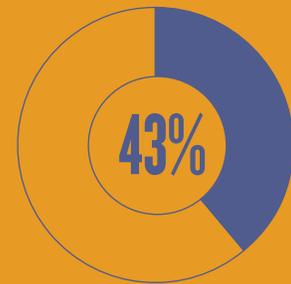
Tips for building financial wellness programs to reduce employee stress and boost productivity—plus insights from our latest investor survey

## THE STRESSES YOUR EMPLOYEES FACE (Figure 1)

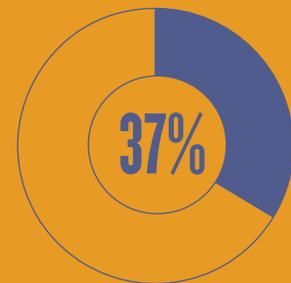
Percentage of respondents who reported suffering the following distractions at least once while on the job last year:



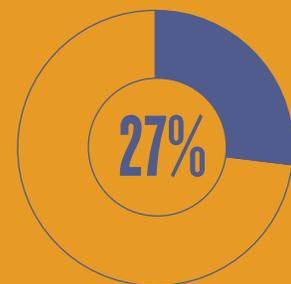
**Emotional stress due to finances**



**Family stress due to finances**



**Dealing with debt-related tasks**



**Physical stress due to finances**

**Your employees' complex financial lives** are distracting them, stressing them out and ultimately detracting from their ability to focus at work. In our conversations with plan sponsors, it's clear that they want to help participants navigate this terrain and plan for retirement, but the task challenges even those with the greatest resources.

Indeed, State Street Global Advisors' most recent Defined Contribution Investor Survey reveals that making ends meet is an enormous challenge for people at all levels of income and household savings. More than 3 in 5 participants experience a moderate to high level of financial stress, and as many as 4 in 10 participants say financial stress has caused their productivity at work to suffer. (See Figure 1 for more on that stress.)

# Best practices for financial wellness

## 1 PRIORITY

Set a financial wellness agenda, focusing on areas in which your participants need help and your organization is equipped to assist. Consider a measured approach to avoid overwhelming both administrative staff and employees.

## 2 FOLLOW THE NUMBERS

Quantify the real costs of financially unfit employees to your organization and track changes to those costs over time. Consider including data on absenteeism, medical spending, performance ratings and turnover, and aggregating it based on age and salary or job level.

## 3 USE—AND PROMOTE—WHAT YOU’VE GOT

Make the tools you already have more accessible to employees. Consider putting them all in one place, organizing them by life and/or career stage and promoting them in creative ways to boost utilization.

This data, along with feedback we gathered from the Fortune 500 firms that participated in our Financial Wellness Workshop late last year, paints a picture of employees who are overwhelmed and stressed out. However, respondents who are offered tools to help them manage their financial lives would and do use them. (See Figure 2.)

While participants may under-report the services their employer offers and over-report their own usage of those services, their responses to the survey raise two questions: How aware are

your employees of your offerings, and what is the best way to get the word out?

We believe that one solution lies in strategic financial wellness programs, which can help employees address immediate and intermediate financial concerns. Such programs may help free up both cash and mental energy so employees can focus on longer-term challenges, including preparing for retirement. The employers who participated in our recent workshop see financial wellness as an area in which they can make a real difference in plan participants’ lives,

## WHAT EMPLOYERS OFFER—AND WHAT EMPLOYEES USE (Figure 2)

SERVICES AND SUPPORT					
Banking services	Financial planning software/tools	One-on-one financial advising	Financial management education	Retirement planning support	Employee assistance program
PERCENTAGE OF EMPLOYERS OFFERING IT*					
21%	17%	13%	15%	40%	35%
PERCENTAGE OF EMPLOYEES USING IT**					
76%	73%	68%	70%	65%	37%

\*As reported by participants

\*\*Of employees whose employer offers the program

## COLLABORATE

Bring your service providers together to determine how you can leverage their collective resources on specific communication priorities—whether it’s explaining how to use a health savings account (HSA) or how the retirement plan’s default option works.

## SET A SCHEDULE

Plan your promotion strategy with themes that make sense for both the calendar year and your benefits calendar. For example, make January “estate plan preparation month” to build on employees’ New Year’s resolutions. In February, leverage any available benefits about tax preparation, and so on.

## AUTOMATE FOR EMERGENCIES

About 50% of participants are not completely confident that they could come up with \$1,000 in an emergency, according to the DC Investor Survey. Consider making savings accounts available through credit union partnerships or even automatically enrolling employees in an emergency savings fund in conjunction with your retirement savings plan.

helping reduce their anxiety and improve their financial health.

Yet as experience shows, programs alone won’t be enough to move the needle. Employers must also make their offerings relevant to specific hurdles their participants face at various life stages, then frame and promote those programs in creative ways that emphasize employees’ needs.

### DEFINING FINANCIAL WELLNESS

Financial wellness programs aim to help employees and employers meet their personal and business objectives. Initiatives may:

- **Help employees manage their financial lives more holistically**, both to balance short- and long-term financial needs, and to reduce the anxiety or stress they could encounter from unforeseen shocks such as job loss or health care expenses.
- **Help employers attract and retain talent**, manage workforces, improve productivity and affirm the value of strategic benefit packages.

At SSGA, we recognize that, like your 401(k) plan’s objective, how you define financial wellness will be unique to your organization, reflecting both your philosophy and the degree to which you want to influence your employees’ financial lives. In addition, as we have learned from health-oriented programs, financial wellness isn’t a one-time effort or state that can simply be achieved and forgotten. To be successful, programs must address individuals’ varying needs at differ-

## PARTICIPANTS’ TOP THREE FINANCIAL STRESSORS (Figure 3)

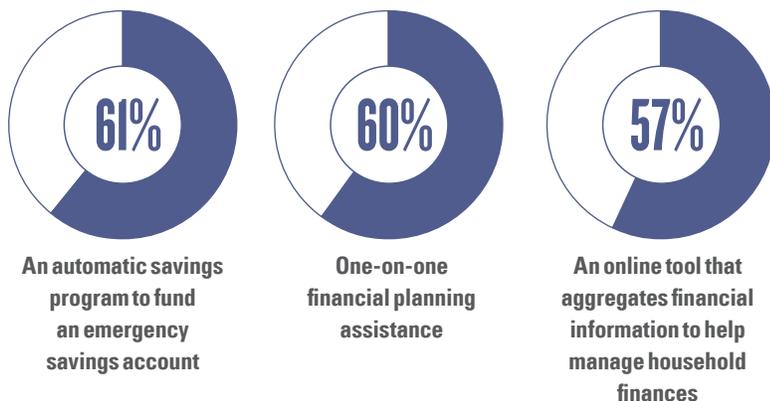


ent life stages. For instance, our DC Investor Survey indicates younger participants feel more stress from student loans, while participants aged 40 and older are more focused on health care costs and concerns about not being retirement ready.

### THE ARGUMENT FOR WELLNESS

The vast majority (93%) of employers plan to start focusing on—or expand their work on—financial wellness in 2015, according to Aon Hewitt.<sup>1</sup> Meanwhile, 80% of respondents to the DC Investor Survey agree that their employer should provide resources to improve their financial wellness. This work is a natural outgrowth of plan sponsors’ efforts to build retirement readiness: As the DC Investor Survey demonstrates, participants have a deep need for assistance in this area, and they want their employer to provide it.

## THE WELLNESS PROGRAMS EMPLOYEES WANT (Figure 4)



Interestingly, while saving for retirement is among participants' most significant financial stressors, it's not at the top of their list. Consider, for instance, that almost half (47%) of participants say they are living paycheck to paycheck—a situation that likely makes planning for retirement a very low priority. Helping employees manage their most pressing financial stressors could give them the mental and emotional energy they need to focus more effectively on retirement, while also potentially preventing leakage from their retirement savings accounts. (See Figures 3 and 4.)

The conversation about financial wellness is just beginning. However, early signs indicate that plan sponsors who are willing to provide employees with the support and guidance they desire may gain a more motivated and productive workforce, and a participant base that is better able to focus on retirement readiness. ●

<sup>1</sup> Aon Hewitt, "2015 Hot Topics in Retirement," 2015.

\*Survey data were collected in January 2015 through a 20-minute Internet survey using a panel of 1,009 verified 401(k), 403(b), 457(b) and profit-sharing plan participants, aged 20 to 69, who were working at least part-time.

Watch Fredrik Axsater discuss why financial wellness matters.

# BUILDING THE BUSINESS CASE

**Employers that analyzed** the financial impact of their health wellness programs have saved \$1 to \$3 for every dollar spent.<sup>1</sup> If, as some early evidence suggests, financial wellness programs achieve similar results,<sup>2</sup> employers could see substantial savings from decreased absenteeism and increased productivity. To develop a sense of the potential payback for your firm, you might attempt to quantify how a lack of wellness is hurting your organization. You can then use that data to forecast how a financial wellness program might help both employees and the corporate bottom line.

For instance, when Jaime Erickson, executive director of retirement benefit plans at Comcast NBCUniversal, developed a business case to support a new financial wellness initiative, she made a direct link to what a lack of wellness costs her company. Erickson aggregated the employee financial data she had on hand and compared it to national averages (from sources including the Employee Benefit Research Institute and the Federal Reserve) to develop a compelling narrative about the potential impact of the new initiative.

To make your business case, consider following Erickson's lead and gathering data on the following topics to help build a narrative about your employees' financial state. Where possible, compare your employees' results to national averages:

- **Personal indebtedness.** Credit cards, student loans, car loans, mortgages.
- **Credit scores**
- **Retirement readiness.** Use of loans, hardship withdrawals, participation rates, match take-up rates.
- **General financial wellness.** Living paycheck to paycheck, emergency savings, wage garnishment.

This data can help you obtain business approval to proceed with your financial wellness program, develop a framework to measure return on investment or get the headcount and funding you may need to launch your strategy.

<sup>1</sup> International Foundation of Employee Benefit Plans, "A Closer Look: Wellness ROI," 2012.

<sup>2</sup> Financial Finesse, "Actual Results from Company's Financial Wellness Program," 2012.

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