THE WAY TOWARD WELLNESS

Kent Allison shares insights on the evolution of financial wellness programs

Like many in the defined contribution industry, we’re excited about the emerging concept of financial wellness—and the possibilities it holds for helping employees become more confident about managing their finances. Making financial wellness more than just a buzzword, however, will require a deep understanding of how employees think, feel and act—and how these perceptions, emotions and behaviors evolve over time.

To learn more about these trends, we reached out to Kent Allison, partner and national leader of PricewaterhouseCoopers LLP’s Employee Financial Wellness Practice, who has been researching financial wellness for more than five years.

**Q** The Participant: How does financial wellness differ from financial education?

**Kent Allison:** The concept of financial wellness took off like wildfire because it’s a natural extension of health and wellness. Both concepts are deeply rooted in behavioral science. Financial wellness focuses on understanding what drives an individual’s financial behavior, and then employs a process to change detrimental behaviors and improve overall financial well-being.

However, there is confusion in the marketplace. Many organizations competing to provide financial education have converted their programs in name only. That’s not what we’re talking about. Financial wellness is not achieved by just changing the name of your education program. It’s changing the basis and approach to be more effective.

The old approach was passive—companies provided financial information and hoped their employees would act on it. But a lot of times people would just go on autopilot and not make changes until it was too late. Or the education wasn’t specific to them and not applicable to their personal situations.

Another problem is that financial education might cover one topic, like boosting 401(k) contributions. But people are dealing with lots of other issues that compete for their savings. We see that in the leakage coming from plans: 22% of employees in the 2014 PwC Employee Financial Wellness Survey said they had withdrawn money from their retirement plans for non-retirement expenses.

**Q** Besides wanting to help employees, why should employers care about financial wellness?

Aside from the improvement in benefits appreciation and utilization, studies show that financial stress is a major factor in overall stress. As reported in the 2014 survey, nearly half of all employees (48%) said that dealing with their finances was stressful, and the percentage of stressed Gen Y employees has increased, from 49% in 2013 to 60% in 2014.
Stress has a direct impact on an employee’s health. So, like a health program, a financial wellness program can reduce a company’s health costs. In addition, studies show that financial distractions make employees less productive at work. Helping employees improve their financial well-being can reduce or eliminate those distractions and have a direct impact on productivity.

**Q** How might plan sponsors begin tackling financial wellness in their organizations?

It starts with realizing that people have different issues and priorities that stem from their life stages, their career stages and even costs related to where they live. So organizations are moving away from what I call the peanut butter approach—providing the same education to everyone and hoping employees select what’s relevant to them.

The new approach asks, “What are an individual’s issues, needs and financial behaviors, and how do we address them to improve their overall financial well-being?”

Employer data can tell you a lot: whether an employee is married, has dependents and is contributing to the plan. Then you need to consider employees’ lives outside work: Are they in debt? Behind on their bills? Once you have that snapshot, you can identify an individual’s competing priorities and obstacles and make a plan to attack those issues. Most importantly, you want the employee to remain engaged but not overwhelmed. Programs should offer bite-size installments to get people moving in the right direction, and then reward that behavior so they don’t give up.

**“Helping employees improve their financial well-being can have a direct impact on productivity.”**

—Kent Allison

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**Disclosure:** SSgA is a PwC audit client.
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