



# An Employee Crisis: Financial Literacy

With a lack of financial literacy among employees, what can companies do?

A Purchasing Power Special Report  
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# Introduction

What should be disconcerting to employers is how much time employees are spending at work – on the clock – dealing with their financial situation.

**Financial literacy** is more than managing a checkbook. It's having the knowledge and skills to manage one's personal finances. It's about budgeting, saving, knowing how and when to use credit, and even planning for retirement. It means **managing your money, so it doesn't manage you**. The absence of financial literacy can lead to making poor financial decisions that have adverse effects on an individual's financial health.

The state of financial literacy among employees is frightening when you look at some statistics about how they handle their finances. Many employees today lack basic financial literacy. They aren't making sound financial decisions, which leads to financial stress. What should be disconcerting to employers is how much time employees are spending at work – on the clock – dealing with their financial situation. When they do, their productivity drops, and the employer's bottom line is negatively affected.

The root cause of the nation's financial literacy crisis among today's employees is somewhat murky. Some believe it's due to kids not learning about finances in school, while others argue that the lack of financial education starts at home. Solving the situation for future employees – today's children – is one issue, but dealing with the financial literacy crisis now among the current workforce is something employers should address.

## **This Purchasing Power special report:**

- Explores the financial literacy crisis among employees.
- Outlines statistics that illustrate the current state of employees' financial situation as a result of their lack of financial literacy.
- Shows how financially stressed employees are impacting their productivity on the job.
- Suggests what employers can do to help with employee financial wellness.

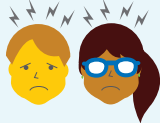



The purpose of this report is to urge employers to embrace the reality that they are being impacted by employees' lack of financial health, and inspire them to take action to help alleviate the problem.

# Defining the Problem

Focusing on **“financial wellness”** isn’t an ongoing fad. It’s an issue that is here to stay for the foreseeable future, and the numbers paint the troubling picture of employees’ financial literacy.

Employees who lack financial literacy have trouble meeting monthly expenses and making minimum payments on credit cards; haven’t been able to make major purchases they need to make, and don’t have money saved for emergencies.

**Essentially, here’s the problem:**

	<b>40%</b>	40 percent of employees working full-time <b>don’t have at least \$2,000 in emergency savings</b> for unexpected expenses such as a car breaking down. <sup>1</sup>
	<b>34%</b>	34 percent have had <b>trouble meeting monthly household expenses</b> , like rent/mortgage, car payments, cable bills, and credit card bills. <sup>2</sup>
	<b>47%</b>	47 percent consistently carry balances on their credit cards; of these, 26 percent of whom find it <b>difficult to make minimum payments on time</b> . <sup>3</sup>
	<b>30%</b>	30 percent <b>haven’t been able to make major purchases</b> in the past year for items they need. <sup>4</sup>



# 69%

of full-time employees (either themselves or their spouse) participate in some type of employer-sponsored retirement program, and one out of five (19%) borrowed from their retirement plan or took out a loan in the past three years.<sup>8</sup>

The reasons **why** employees are having issues point to lack of financial literacy:

- Two out of five (41 percent) **don't have a planned monthly budget**;<sup>5</sup>
- Of those who have a monthly budget, one out of four (26 percent) **don't put anything into savings each month**; and<sup>6</sup>
- One-third (31 percent) say that in the past three years they have run short on funds and have **had to use credit cards to pay some of their monthly expenses** (such as phone, cable, utilities, etc.)

To make matters worse, many employees are using part of their retirement savings to cover routine expenses. In many cases, these employees may not realize the full ramifications of withdrawing from their retirement plan.

**Where is that retirement money going?** Employees report that the money they have borrowed against their retirement funds in the past three years has been for the following purposes:<sup>9</sup>



## Where is that retirement money going?

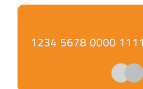


37%

General household expenses (mortgage/rent, utilities)

21%

Credit card payments



19%

Big-ticket items (appliances, electronics, computers, etc.)

18%

New car purchase



12%

College tuition/expenses

18%

Medical expenses



8%

Major car repair

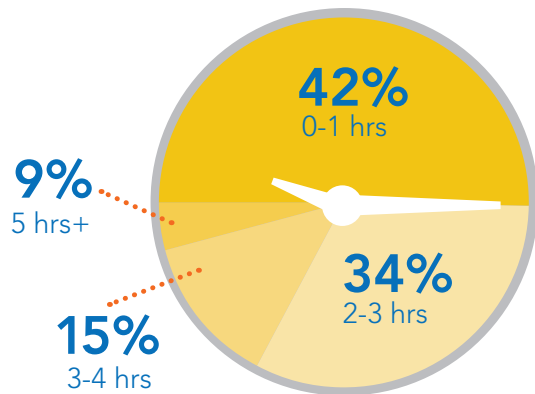
## Impact on Employers

All of this adds up to a lot of financial stress for employees, which becomes a problem for employers. When employees are distracted at work by their financial situation, they **frequently perform personal financial tasks while on the clock** or take more sick days. That means job performance suffers.

How widespread is the financial epidemic among the workforce? Of employees working full-time surveyed last November, 82 percent revealed they have financial stress. Of those, 39 percent said they have at least a fair amount of stress and 43 percent reported some stress.<sup>10</sup>

But here's the real eye-opener: 37 percent of employees spend time dealing with personal finances during work hours. The following is the amount they spend:

### Work Hours Spent Each Week on Personal Finances<sup>11</sup>



**Keeping on-the-clock employees focused on the work that matters is vital to any organization's success.** Losing even one hour a week per employee can silently drain a company's bottom line. Poor financial health is also responsible for employee illness, not to mention increased absenteeism, tardiness, and turnover.



**39%** of employees said they have a fair amount of stress



**43%** reported some stress

## The Solution?

### Incorporate financial wellness into the employee benefits package

Encouraging financial literacy and supporting employee financial wellness is **more than retirement planning**. Employers not only need to prepare employees for their financial future, but also provide tools to get them on the path to financial wellness today.

By offering both education and voluntary benefits that address their financial health, employers can help their employees with short-term and long-term money issues, and help change the course of their financial behavior so they make better decisions going forward.

### Financial Wellness Education

There are many financial tools and resources that assist employees in **taking control of their financial well-being**. Some online financial wellness resources are available as a value-add from other benefit providers. The more comprehensive of these platforms offer a holistic approach to financial wellness, comprised of a core financial education program; free credit reports; alternative credit reporting; and rewards for saving money and reducing debt. In addition, there are financial wellness education programs that employers can provide as an employer-sponsored expense.

Either way, **financial wellness education is a benefit employees are looking for** – 62 percent of employees working full-time report they would be likely to take advantage of financial wellness education opportunities made available through their (or their spouse's) employer.<sup>12</sup>

### What kinds of financial wellness education do employees say would help them?<sup>13</sup>

<b>40%</b> saving for retirement	<b>15%</b> buying a house
<b>33%</b> paying off debt	<b>15%</b> personal finance coaching
<b>28%</b> investment advice	<b>14%</b> savings for children's education
<b>43%</b> budgeting	<b>15%</b> understanding and building credit



**62%**  
of employees working full-time report they would be likely to take advantage of financial wellness education.

# Voluntary Benefits and Other Options

The vast menu of voluntary products available today allow employers to provide a portfolio of voluntary benefits that employees can customize. Among the non-traditional voluntary offerings are products that address employees' financial wellness today. These include:



- **Financial Counseling Services** that offer one-on-one counseling by a certified financial professional, or group learning through seminars.



- **Employee Purchase Programs** that give employees a way to buy products and services (e.g., computers, appliances, educational services, and vacations) through a disciplined spending program, and pay for them through payroll deduction instead of traditional financing options.

Not to be overlooked are other programs employers can offer that assist employees in stretching today's paycheck, such as:



- **Discount Programs** provide discounts on products and services (e.g., computers, mobile phone service) from certain merchants who have partnered with the employer.



- **Short-Term Loans** are loans that must be repaid or refinanced within one year. They are generally unsecured loans because they are for a brief period of time.



Employers should take steps toward **building a more financially secure workforce** through financial wellness education and benefits.

## Summary

Financial literacy should be of urgent concern to employers. Employees lack a basic financial understanding, and the resulting stress is a drain on companies.

Employers should take steps toward building a more financially secure workforce through financial wellness education and benefits. Not only will they be providing valuable information and resources for their employees, but they will also improve their own bottom line at the same time.

## About Purchasing Power, LLC

Purchasing Power is one of the fastest-growing voluntary benefit companies in the industry, offering a leading employee purchase program for consumer products and services as well as providing financial tools and resources to improve employees' financial wellness. Purchasing Power is available to 7.8 million people through large companies – including Fortune 100s – and government agencies. Headquartered in Atlanta, Purchasing Power is 'Powering People to a Better Life™' through its employee purchase program, financial literacy efforts, and charitable contributions. Purchasing Power is a Rockbridge Growth Equity, LLC, Company. For more information, visit [www.PurchasingPower.com](http://www.PurchasingPower.com).



## References

- <sup>1</sup> Harris Poll on behalf of Purchasing Power of 2,016 working U.S. adults employed full-time, November 19-23, 2015.
- <sup>2</sup> Harris Poll on behalf of Purchasing Power, Nov. 19-23, 2015, op.cit.
- <sup>3</sup> PwC, "Employee Financial Wellness Survey, 2015 Results."
- <sup>4</sup> Harris Poll on behalf of Purchasing Power, Nov. 19-23, 2015, op.cit.
- <sup>5</sup> Harris Poll on behalf of Purchasing Power of 2,105 working U.S. adults employed full-time, March 16-18, 2016.
- <sup>6, 7, 8, 9</sup> Harris Poll on behalf of Purchasing Power, March 16-18, 2016, op.cit.
- <sup>10</sup> Harris Poll on behalf of Purchasing Power, Nov. 19-23, 2015, op.cit.
- <sup>11</sup> Harris Poll on behalf of Purchasing Power of 2,080 working U.S. adults employed full-time, Dec. 14-16, 2015.
- <sup>12, 13</sup> Harris Poll on behalf of Purchasing Power, March 16-18, 2016, op.cit.

