



# Money Smarts:

Helping Employees Make the Grade

A Purchasing Power White Paper

# Money Smarts:

Helping Employees Make the Grade

---

## TABLE OF CONTENTS

Introduction	3
The Problem: By the Numbers	4
Employees' Financial Situation Affects Employers As Well	5
Financial Wellness Education Defined	6
Elements of a Successful Financial Wellness Education Program	9
Financial Wellness Education Initiative Results	10
Summary	10
About Purchasing Power	10
References	11



## What's Inside

- Why financial literacy is an urgent concern
- What a financial education program includes
- How to incorporate it into your benefits package

## Introduction

The world of personal finance can be confusing. For some employees, it's a living- paycheck-to-paycheck world, often struggling to meet household expenses and being able to save money for emergencies. For others, it's concern about funding their children's college education or retirement planning and their financial future. Either way, it's stressful to employees and it's affecting their work performance when they bring their financial issues and distractions to work. Their financial stress becomes the employer's problem as well.

What's the solution? Financial wellness education. Employers can help their employees with short-term and long-term financial issues, as well as with changing the course of their financial behavior so they make better financial decisions going forward.

This white paper explores the impact financially-stressed employees have on their company and the need for a financial wellness education program. It examines the employer's role and outlines the elements of a successful financial wellness education initiative.

## The Problem: By the Numbers

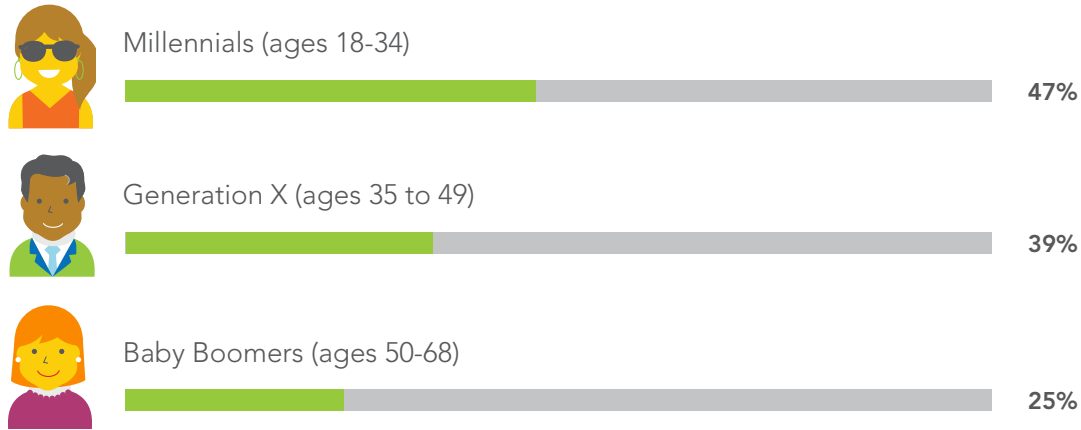
Most employees are struggling financially, living paycheck-to-paycheck and don't have the financial knowledge or a method to improve the situation. The numbers tell the story:

- 36 percent of employees don't have at least \$2,000 in emergency savings;<sup>1</sup>
- 48 percent consistently carry balances on their credit cards, many of whom only make minimum payments;<sup>2</sup>
- 49 percent haven't been able to make major purchases in the past year for items they need;<sup>3</sup>
- 61 percent failed a basic financial literacy test;<sup>4</sup> and
- 61 percent do not have a budget.<sup>5</sup>

The lack of financial literacy doesn't discriminate – it doesn't apply to a specific age group, economic group or population segment.

For instance, when viewing the data from a generational perspective, it's clear that each group has its share of financial difficulties. A Harris Poll on behalf of Purchasing Power conducted December 15-17, 2014 among full-time employees nationwide, showed that 47 percent of Millennials (ages 18-34), 39 percent of Generation X (ages 35 to 49) and 25 percent of Baby Boomers (ages 50-68) did not have at least \$2,000 in emergency savings for unexpected expenses.

*Do not have at least \$2,000 in emergency savings for unexpected expenses.*



With so many adults in poor financial health, children aren't learning the basics of money management. Over 62 percent of the 15- to 18-year-olds tested by the National Financial Educators Council received either a "D" or "F" on the 2014 National Financial Literacy Test.<sup>6</sup> Without proper guidance and education, kids grow up being adults in debt. Without proper guidance and education, adults with money issues can't make responsible money decisions or dig out of their financial crises.

These financial crises have widespread effects on employees' families, the economy, and ultimately, their employers.

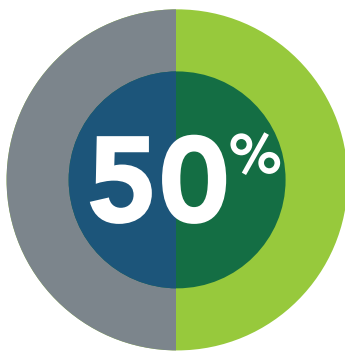
## Employees' Financial Situation Affects Employers As Well

Employers are aware their employees struggle financially. In fact, 41 percent of HR professionals responding to a Society for Human Resource Management (SHRM) survey last year reported that an overall lack of monetary funds to cover personal expenses affected employees at their organization.<sup>7</sup>

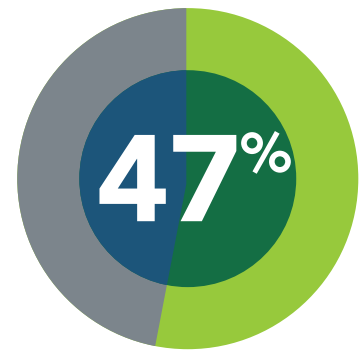
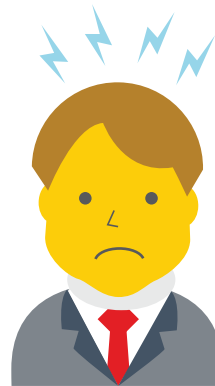
In the same survey, seven out of 10 HR professionals indicated that personal financial challenges have "a large" or "some" impact on overall employee performance. Of these HR professionals, approximately one-half reported that employees' stress (50 percent) and their ability to focus on work (47 percent) were the aspects of employee performance that were most negatively affected by personal financial challenges.<sup>8</sup>

Given this impact, it makes sense for employers to have a role in their employees' financial wellness education. Like health and wellness programs, the workplace is increasingly becoming a key channel for financial literacy initiatives.

### The factors HR thinks are most impacted by employee financial challenges:



overall employee stress



employees' ability to focus

## Financial Wellness Education Defined

SHRM defines financial education as any workplace initiative, program or resource designed to provide employees with information on how to manage their resources effectively for a lifetime of financial well-being.<sup>9</sup>

Financial wellness education is more than benefits education and setting up a retirement plan. It goes farther, helping employees be smart about their money – how they spend it and how they save it – so they have financial well-being now (or are working toward it) and in the future.

Financial wellness is defined uniquely and differently by each employee, as each household has different priorities and financial obligations. The broad definition of financial wellness is the ability of each employee to manage their finances for short-term needs while saving for mid- and long-term goals. The financial wellness education program that employers implement should offer a variety of options that help employees choose the information important to them.<sup>10</sup>

Employees look to their employers for assistance with their financial well-being. Nearly six in 10 employees (58 percent) want guidance planning their financial lives, and look to their employers for assistance in pursuing their financial wellness.<sup>11</sup> In turn, employers believe that providing financial wellness tools for their employees leads to a more satisfied and productive workforce. They believe that workers who take better control of their financial situations are more satisfied, loyal, engaged and productive.<sup>12</sup>



The broad definition of financial wellness is the ability of each employee to manage their finances for short-term needs while saving for mid- and long-term goals.

## The Employers' Role

Many employers already provide wellness and employee assistance programs alongside other benefits to support their employees' overall quality of life. However, those programs don't always address the complexities of each employee's financial situation. 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.




Fifty-eight (58) percent of employees look to their employers for more help in achieving financial security through employee benefits.<sup>13</sup> But they want more than insurance benefits and retirement programs. They want access to financial education resources, financial coaching, ways to understand, build and monitor their credit, budgeting information, and more.

### **There's a gap between what's needed and what's offered.**

According to SHRM, only slightly more than half of companies (57 percent) say they are offering financial education to their employees. Interestingly, non-profit organizations are more likely than privately-owned for-profit companies to offer this benefit to their employees.<sup>14</sup>

However, there are challenges that organizations face in providing financial education to their employees. According to the SHRM study, 25 percent of organizations reported facing obstacles in providing financial education. The greatest challenges among organizations that offer financial education to their employees are the cost (33 percent) and the lack of interest among staff (28 percent).

Here's the type of financial wellness education that full-time employees nationwide said in a recent Harris Poll would help them, along with the percent of employees interested in that type of education:

	<b>37%</b>	Saving for retirement
	<b>33%</b>	Paying off debt
	<b>37%</b>	Investment advice
	<b>21%</b>	Budgeting
	<b>14%</b>	Personal finance coaching
	<b>12%</b>	Saving for children's education
	<b>12%</b>	Buying a home
	<b>11%</b>	Understanding and building credit <sup>15</sup>

Overall, 40 percent of employees say that they would take advantage of financial wellness education opportunities made available through their or their spouse's employer. Looking at that interest on a generational basis, 45 percent of Millennials would take advantage of it; 43 percent of Generation Xers; and 32 percent of Baby Boomers.<sup>16</sup>



## Elements of a Successful Financial Wellness Education Program

The goal of financial wellness education programs is to change behavior to address short-term needs and plan for the future. To be successful, the programs that employers implement must be able to be customized for each employee's situation.

To build a financial wellness education initiative into the employee benefits program employers can construct it themselves, making various online tools and resources available to employees, or utilize non-profit organizations, consulting firms, or other company offerings to provide services which include online education and more.

Either way, the first step must always involve some sort of financial assessment for the individual employee which would include outlining their current financial situation, identifying areas for improvement and prioritizing action steps. Setting goals and implementing actions for their specific situation are the roadmap for success in changing their behaviors.

### Among the numerous topics covered in financial wellness education programs are:

- Budgeting;
- Basic financial management;
- Paying off debt;
- Methods for saving;
- Funding college education;
- Monitoring and building credit scores;
- Setting up an emergency fund; and
- Investing for the future.



Additionally, some companies provide one-on-one financial counseling and coaching services through outside consultants.

One of the best practices in financial wellness education is getting employees engaged through rewards and incentives at various stages of the program.

## Financial Wellness Education Initiative Results

Companies that offer financial wellness education programs see the benefits from it in a number of ways. The SHRM study found that 72 percent of HR professionals who had implemented a financial education initiative found it very or somewhat effective in improving their employees' financial wellness.<sup>17</sup>

Organizations that have offered financial education for longer periods of time generally have less stressed, more financially savvy employees who are also better prepared for retirement. Organizations not offering financial education are more likely to regard their employee populations as highly stressed, not financially savvy and not well prepared for retirement compared with organizations that provide financial education. Compared with organizations not experiencing success with financial education, those realizing success are more likely to provide education on a greater number of topics and formats and, among other things, customize education for different employee groups.<sup>18</sup>

## Summary

Employers have to address the workday impact of their employees' financial stress by providing them with education to help prevent major financial issues, change the course of their financial decisions and improve their financial wellness.

Some industry experts predict that financial wellness is the next big trend in 2015. Worksite wellness is expanding beyond physical health to include a financial wellness component, helping employees ease economic stress, overcome money challenges and promote financial health.<sup>19</sup>

It's time for employers to take a more active role in their employees' financial wellness.

## About Purchasing Power

Purchasing Power is one of the fastest-growing voluntary benefit companies in the industry, offering a leading employee purchase program. Purchasing Power is available to 7.6 million people through large companies – including Fortune 100s – and government agencies. The company was honored for "World Class Service" by Smart Business, recognized as one of the fastest-growing companies for seven years on the Inc 500/5000, and is one of "Atlanta's Best and Brightest Companies to Work For." 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, conducted online December 15-17, 2014.
- <sup>2</sup> PwC, 2013 Employee Financial Wellness Survey, June 2013.
- <sup>3</sup> Harris Interactive® and Purchasing Power Survey, June 20-24, 2013
- <sup>4</sup> FINRA, 2012 National Financial Capability Study.
- <sup>5</sup> National Foundation for Credit Counseling, 2013 Financial Literacy Survey.
- <sup>6</sup> Forbes.com, "Do Our Kids Have the Money Smarts to Live in the Real World," Neale Godfrey, January 4, 2015.
- <sup>7</sup> Society for Human Resource Management (SHRM), "SHRM Survey Findings: Financial Wellness in the Workplace," May 14, 2014.
- <sup>8</sup> Glassdoor Q1 2014 Employment Confidence Survey, Apr. 3, 2014.
- <sup>9</sup> Society for Human Resource Management (SHRM), op.cit.
- <sup>10</sup> Bank of America Merrill Lynch, Workplace Insights, "Promoting Financial Wellness: A Guide for Employers."
- <sup>11</sup> Bank of America Merrill Lynch, Workplace Benefits Report, Dec. 2013.
- <sup>12</sup> Bank of America Merrill Lynch, Workplace Insights, op.cit.
- <sup>13</sup> 12th Annual MetLife Benefits Trends Study.
- <sup>14</sup> Society for Human Resource Management (SHRM), op.cit.
- <sup>15</sup> Harris Poll on behalf of Purchasing Power, December 15-17, 2014, op.cit.
- <sup>16</sup> Harris Poll on behalf of Purchasing Power, December 15-17, 2014, op.cit.
- <sup>17</sup> Society for Human Resource Management (SHRM), op.cit.
- <sup>18</sup> International Foundation of Employee Benefit Plans, "A Closer Look: What's Working in Workplace Financial Education," November 2014.
- <sup>19</sup> LifeHealthPro.com, "2015 Outlook: Why Financial Wellness Is the Next Big Trend," Tom Ruggie, Dec. 19, 2014.

### Methodology

The 2014 Harris Poll survey on behalf of Purchasing Power, LLC, was conducted online within the U.S. from December 15-17, among 2,016 adults ages 18 and older. This online survey is not based on a probability sample and, therefore, no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables, please contact Reva Harris at rharris@purchasingpower.com



"Powering People to a Better Life" is a trademark, and Purchasing Power is a registered trademark of Purchasing Power, LLC. Other products and services may be trademarks or registered trademarks of their respective companies.

©2015, Purchasing Power, LLC. All rights reserved.

This white paper is the proprietary information of Purchasing Power, LLC and may not be reprinted or used without our express permission.

