

# STRATEGIES FOR BOOSTING WORKERS' FINANCIAL HEALTH

Although providing financial education is one effort aimed at improving workers' financial well-being, other benefits employers offer and workplace opportunities such as counseling also are parts of the answer.



# benefits

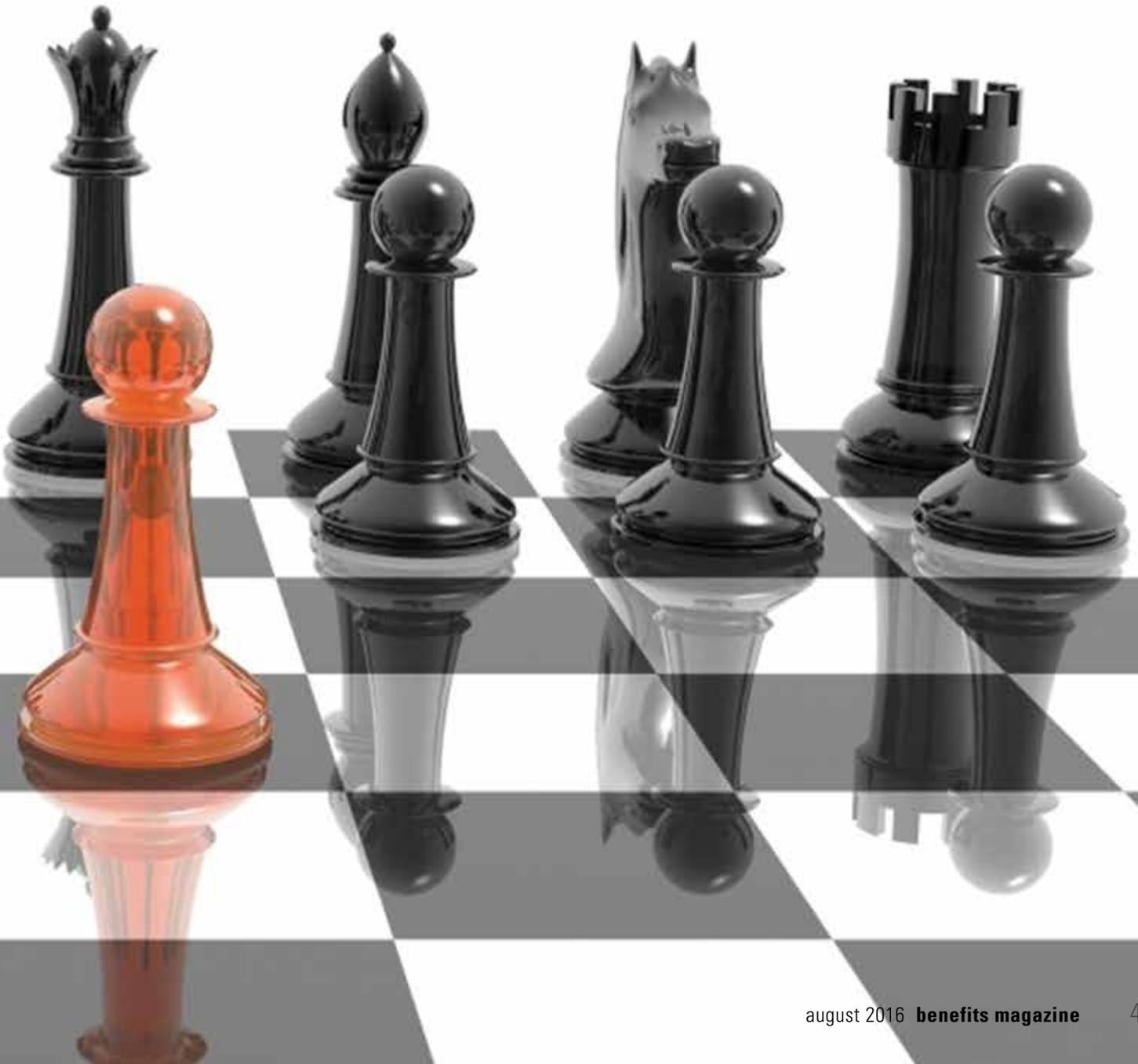
MAGAZINE

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## Financial Well-Being Evaluation Tools

While an overwhelming collection of financial education materials and programs exists, efforts to evaluate effectiveness are few and far between. In too many cases, the quality of these assessments is suspect. Program evaluation on one's own can be time-consuming, and the value of an evaluation expert should not be underestimated.

Fortunately, new tools (and tool kits) are available that improve the validity of financial wellness assessments and make the evaluation less daunting. All but one of the following items are available at no cost.

- **Financial Fitness Quiz.** The New Jersey Agricultural Experiment Station at Rutgers University offers 20 questions concerning money management, credit, insurance, estate planning and shopping. A nice feature of this free quiz is that it uses the responses to provide a score that summarizes the user's financial well-being. Take the quiz at [njaes.rutgers.edu/money/ffquiz](http://njaes.rutgers.edu/money/ffquiz).
- **CFPB Financial Well-Being Scale.** For a tool that measures worker feelings of empowerment, confidence and satisfaction with his or her financial status, consider this ten-question scale developed by the Consumer Financial Protection Bureau. This ready-to-copy questionnaire comes with a financial well-being scoring worksheet. The scale and a user guide are available free at [www.consumerfinance.gov/reports/financial-well-being-scale](http://www.consumerfinance.gov/reports/financial-well-being-scale).
- **NEFE Evaluation Toolkit.** For those who want a more robust evaluation and are comfortable taking on the project with existing personnel, consider this online tool kit designed specifically for the evaluation of financial education programs. Available free from the National Endowment for Financial Education, this kit offers a database of evaluation templates and forms for several different program formats. Questions are provided that test program participant knowledge, confidence, behaviors and intention to change with respect to a wide range of financial topics. The database also has questions to determine the demographics of workers, including their current financial condition. In addition, there are questions that provide feedback concerning program content and delivery that are useful when deciding how a program might be improved. An evaluation manual covers the basics of program evaluation and how to fully utilize the tool kit. The kit is available at [toolkit.nefe.org](http://toolkit.nefe.org).
- **The Personal Financial Wellness Scale™ (PFW Scale™).** Organizations that prefer to have a third-party expert handle evaluation should consider the PFW Scale™, which has been confirmed as a valid and reliable measure of the overall financial well-being of workers. National norms for the general population of U.S. adults have been established for comparison. Developed via the Personal Finance Employee Education Fund (PFEEF), the cost for using the assessment tool typically is \$1 per person taking the test. Translation of the PFW Scale™ to different languages is permitted with permission. PFEEF also has a network of providers that will use organization data for absenteeism, turnover rates, training costs and the PFW Scale™ to prepare a detailed report on return on investment. For information regarding the assessment tool and other services available from PFEEF, visit [pfeef.org/personal-financial-wellness-scale-uses-and-policies](http://pfeef.org/personal-financial-wellness-scale-uses-and-policies).

Employers, labor organizations and benefit plan administrators can take a proactive approach to helping workers with financial issues by providing a workplace financial wellness program. While there is no single, agreed-upon definition for such a program, there are common characteristics.

A financial wellness program assesses and supports the overall financial well-being of workers. Such a program does not focus on one single aspect of financial planning such as retirement or college savings. Instead, it looks at how all the pieces of an individual's financial life fit together. A quality financial wellness program stresses the importance of workers knowing financial concepts, provides access to and guidance on using decision-making tools, and helps workers take the steps needed to improve their financial health. It strikes a balance between planning for immediate needs and taking into account long-term goals—living responsibly today and planning wisely for tomorrow. Its goal is to help employees create a plan and implement that plan over time.

There are many ways to help employees achieve financial well-being. Each organization has its own goals for its financial wellness program. Some initiatives emphasize prevention while others address problems that already are causing stress. Some endeavors address both prevention and problem resolution. Strategies need not be expensive or complicated, and many organizations already provide some components of a financial wellness program. The challenge for each organization is to determine what content and approaches best fit with the needs and interests of workers and then fill in the gaps. In general, a good financial wellness program has multiple, integrated components.

## Living Wages

At the most basic level, a livable wage is key to the financial well-being of workers. While this may seem obvious, the number of employees receiving subsistence-level wages indicates it is not. The best way to avoid financial stress among workers—even those at the bottom of the ladder—is to pay them a reasonable amount to live on.

## Employer-Sponsored Benefits

The workplace benefit package also contributes to financial well-being. Benefits that promote wellness include:

- Health, dental, vision and hearing care
- Sick leave and disability protection
- Life insurance

- A retirement plan
- Financial planning services
- Legal assistance
- Child-/elder-care subsidies
- 529 college savings program
- Long-term care insurance
- Reduced prices and discounts for goods and services (e.g., fitness center, computers, travel).

For workers, simply knowing they have protection when life's surprises occur and have sufficient resources for retirement will help reduce stress.

### Emergency Loan or Hardship Fund

Sometimes, workers experience an unexpected financial need—medical expenses that exceed insurance coverage, car repairs, burial expenses or an uninsured loss due to fire. An emergency loan fund can provide cash that not only reduces worker stress but also lessens the likelihood the worker will resort to withdrawing funds from a retirement account or taking out a high-interest payday loan. Funding requests should be for situations that are short-term or temporary in nature, not chronic. With a hardship fund, recipients may not be required to pay back what they receive—but they should be encouraged to do so if possible to expand how many the fund can serve and the level of assistance provided.

### Personal Risk Assessment

Just as workers are asked to participate in a health risk assessment, they can be encouraged to take advantage of a financial wellness risk assessment. An increasing number of organizations are developing tools employees can use anonymously to assess their financial well-being.

Goals of the assessment should be to help workers pinpoint where they need help and to establish priorities. Ideally, workers can get their individual results immediately, with an action plan that suggests what tools or resources may specifically benefit them. Users may be referred to a financial counselor for advice or an educational program as appropriate. Deidentified aggregate findings can also provide an employer or other stakeholder insight into the personal finance issues of workers that need attention.

See the sidebar, “Financial Well-Being Evaluation Tools,” for a list of free and low-cost tools for assessing financial well-being/distress.

### Education and Information

Given that lack of financial knowledge and skills has been linked to behaviors such as abusing credit and living beyond one's means,<sup>1</sup> an especially important element of any financial wellness program is education and information. (An article describing financial education best practices will appear in a later issue.)

### One-on-One Support

Access to professional counseling (e.g., financial planning, money coaching, credit counseling, career counseling and/or legal advice) also may help workers achieve financial well-being. Too often, those who most need expert advice cannot afford it or, in the case of retirement planning, wait too long to seek help. Among options available for providing workers with access to professional advice, face-to-face counseling works best. Assessments of telephone counseling have shown mixed results with respect to effectiveness. Some believe the ability to talk with the same telephone counselor is a key to success.<sup>2</sup>

The following are examples of how workers might be provided one-on-one support.

- Many employers already offer employee assistance program (EAP) services that include financial or legal assistance. An advantage of an EAP is that an employee can receive stress management support as well as other help he or she needs during a difficult time.
- Some employers and benefit plan sponsors arrange for a financial advisor to visit the workplace. Workers sign up to meet with the advisor at no or a reduced fee. Workers are permitted to meet during paid work hours.

## takeaways

- Many employers already are providing some aspects of a financial wellness program, such as a living wage and benefits that protect workers from life's surprises.
- Providing emergency loans or hardship funds can reduce the likelihood an employee will borrow from a retirement fund or take out a payday loan.
- A personal risk assessment will help pinpoint where workers need help so they can establish priorities.
- Many people would benefit from professional counseling—especially those who can least afford it.
- Some organizations reward employees for taking steps to improve their financial well-being.

- Another route is to provide employees a benefit allowance or a flexible benefit package that includes the services of a financial advisor. One corporation offers a “life adjustment fund” to pay for any of about a dozen services including a masseuse and a financial planner.
- For workers experiencing credit problems, a low-cost solution may be a referral to a nonprofit consumer credit counseling center that can help with debt consolidation, working with creditors to spread out payments, establishing a budget, etc. To identify local accredited debt counseling agencies, contact the National Foundation for Credit Counseling.

Employers and others already providing access to a professional may find that all that is required is a campaign to

ensure workers know the benefit is available (versus adding a new benefit).

### Rewards Program

Some organizations have taken a lesson from health and wellness programs by rewarding workers who have taken steps to achieve or have achieved financial well-being. The program might be based on criteria such as:

- Completing a personal financial wellness risk assessment
- Establishing financial goals and/or a budget for the upcoming year
- Achieving financial goals for the previous year
- Reviewing the beneficiaries on their workplace benefit and insurance plans and making changes where appropriate.
- Contributing 10% or 15% of their salary to a defined contribution plan
- Obtaining a credit bureau report for credit worthiness
- Reducing consumer debt
- Having paychecks automatically deposited into a bank or credit union account
- Not borrowing from a workplace retirement savings program
- Using an online tool to determine how much to save for a child’s education
- Using the Internet to gather information before making a major financial decision (e.g., buying a house or motor vehicle, choosing a credit card or insurance)
- Participating in and completing the evaluation for a financial education program
- Getting an annual personal financial checkup conducted by a financial planner.

Those who meet eight criteria might receive a \$100 cash bonus. Workers who meet six might receive \$50. Alternatively, a \$25 gift card might be given to everyone who meets a specific number of criteria. The amount awarded should reflect projected savings to the organization resulting from workers who exhibit good financial well-being. As with health wellness incentive programs, organizations should establish a threshold every worker can achieve. **6**

### Endnotes

1. A. Lusardi, *Financial Literacy and Financial Education: Review and Policy Implications*, NFI Policy Brief No. 2006-PB-11 (2006).
2. Employee Benefits Security Administration, U.S. Department of Labor. *Report of the Working Group on Financial Literacy of Plan Participants and the Role of the Employer*. Advisory Council Report (2007) at [www.dol.gov/ebsa/publications/AC-1107a.html](http://www.dol.gov/ebsa/publications/AC-1107a.html).

## learn more

### Education

**35th Annual ISCEBS Employee Benefits Symposium  
September 18-21, Baltimore, Maryland**

Visit [www.ifebp.org/symposium](http://www.ifebp.org/symposium) for more information.

### From the Bookstore

**Money for Life: Turn Your IRA and 401(k) Into a Lifetime Retirement Paycheck**

Steve Vernon. Rest-of-Life Communications. 2012.

Visit [www.ifebp.org/books.asp?8935](http://www.ifebp.org/books.asp?8935) for more details.

bio



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