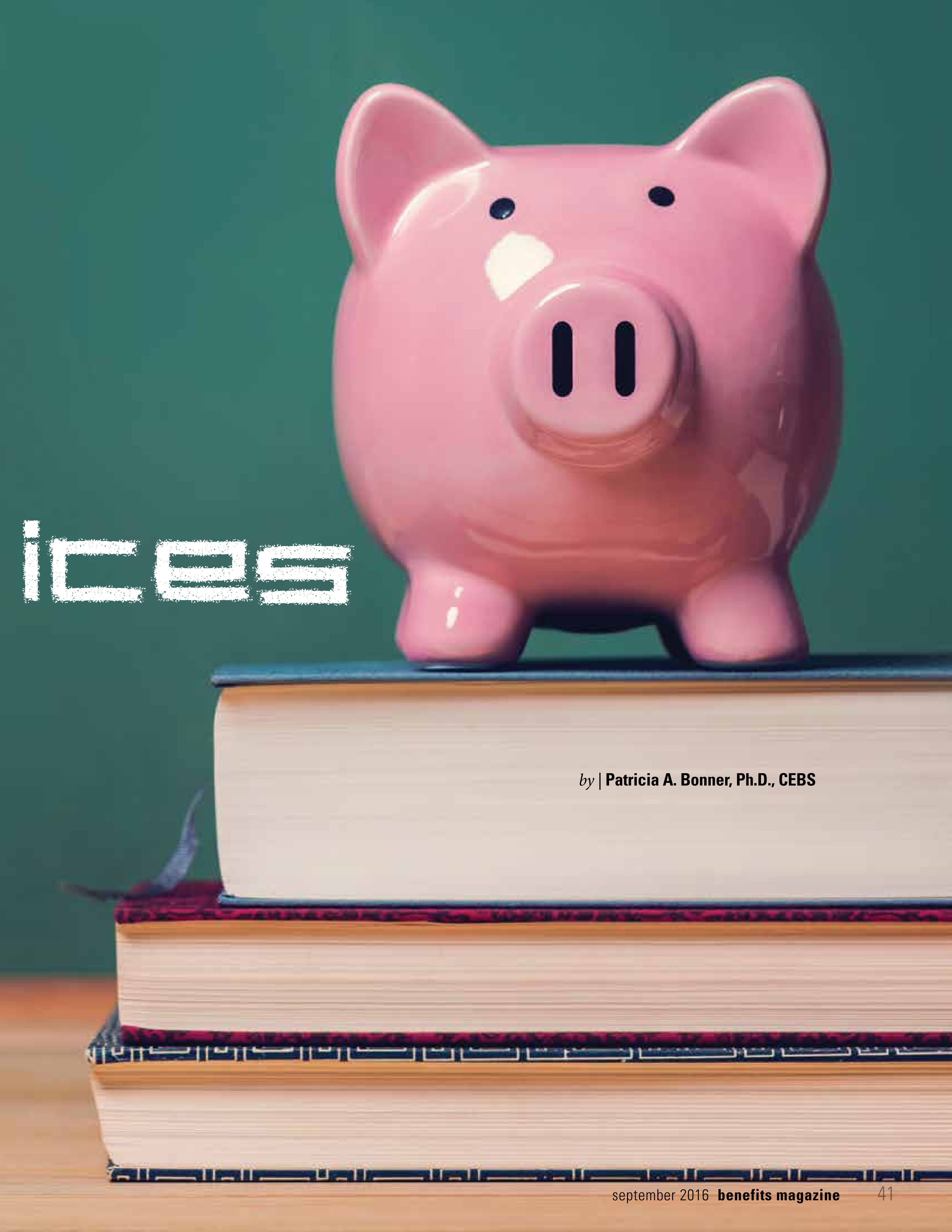
Financial Education Best Pract

How an organization develops a financial education program depends on its goals and audience. These best practices, excerpted from an upcoming International Foundation report, offer guidance.

education | research | information
benefits
MAGAZINE



ices

by | **Patricia A. Bonner, Ph.D., CEBS**

Workplace financial education often is confused with handing out brochures, putting posters in the lunchroom or providing links to some great websites. But distributing information is only one element of an effective program.

Think of financial education as an ongoing process that helps individuals acquire the knowledge, skills, values, beliefs and habits that will help them improve their financial well-being. They need information, tools and strategies for making money-management decisions.

You needn't be a financial education expert to develop a comprehensive program by applying some basic principles, which include finding the right materials and providers. Important steps are:

- **Get leadership support early.** This may require data showing why a program is needed and how it will benefit the organization; i.e., when workers are less worried about their financial health, productivity may be higher and health care costs lower.[1]
- **Identify and prioritize what employees need and how they prefer to receive it**.
- **Develop a plan.** Select content, educational materials, delivery methods and providers; make a plan for marketing and program evaluation; establish a budget.

Getting Leadership Support

Return on Investment

The Personal Finance Employee Education Fund (PFEEF) says a quality employee financial education program pays back at least $3 for every $1 invested, plus the value of increased worker and community goodwill from providing such a program.[2]

Liability

Some leaders fear their organization will be held liable for providing poor financial advice to workers. Dispel this concern by explaining that a financial education program focuses on basic concepts and the "how-tos" of money management. Plan participants are given information and tools to make their own decisions based on their personal circumstances. Such efforts are not considered financial advice. When advice *is* given (e.g., in one-on-one sessions with a financial counselor or planner), organizations have learned how to provide this assistance by using credentialed third-party professionals and proper vetting.

A financial education program may, in fact, reduce an organization's exposure to workplace accidents, malpractice, etc., resulting from distressed workers. It also can reduce the possibility that workers who lack sufficient resources for a secure retirement will blame retirement plan fiduciaries.

Scope

If leaders still hesitate to launch a financial education program, consider starting with a pilot program with just a few objectives.

- **First come, first serve.** Offer one class or limit the number of individuals who can participate (e.g., 20, 30 or 50 employees) to those who sign up first. This is a way to gauge participant interest and control how much is spent.
- **Target those who need it most.** For example, your organization might gather names of individuals requesting a loan or hardship withdrawal from a retirement plan. Managers or supervisors may know of employees who are struggling financially. Tell potential participants discreetly that the program is available.

Assess Worker Needs and Preferences

To identify the financial needs and preferences of workers, look to the workers themselves and vendors. Gather information through a combination of:

- Interviews
- Focus groups
- An advisory group
- Mailed, e-mailed or in-person questionnaires
- Questions submitted to HR, the plan office or vendors
- Use of website content and other information/education efforts
- Discussion and questions at meetings.

The focus of information gathering might be:

- The financial goals of workers and their families
- The obstacles workers have experienced in realizing these goals
- The financial knowledge, attitudes and behaviors of workers
- The content workers say they want a financial education program to address
- Worker preferences in program location and delivery methods
- Worker willingness to share program costs.

Demographic data such as the age, gender, education, race, ethnicity and family status of workers is vital when determining appropriate content, program delivery and marketing for targeted subgroups. See the sidebar "Financial Education and Well-Being Assessment Tools" for examples of low-cost and free tools that make this part of the process less intimidating.

Content Preferences

When asking workers which topics they would like covered, offer a range of possibilities. How well workers understand and take advantage of benefit programs is connected with other financial education topics. For example, saving for retirement depends on a worker's ability to live within his or her means and understand investment basics. Topics such as insurance, buying a home and estate planning also make the point to potential participants that everybody needs financial skills.

See the sidebar "Personal Finance Concepts" for an outline of topics that might be considered as part of a workplace program and listed in the survey.

Privacy

Given the highly personal nature of the information collected, it is critical that participants' privacy be protected. Respondents must be assured information gathered will be treated with the utmost confidentiality.

Establish Program Objectives

Base program objectives on the most common worker needs and preferences. These objectives are what participants will learn and/or be able to do as a result of the education. To assist later in measuring program success, objectives should have a SMART format:

- Specific—Target a specific group/area for change or improvement.
- Measurable—Attach a number, or at least suggest what will indicate progress.
- Achievable—The results can realistically be achieved given available resources.
- Relevant—The results are relevant to improving the financial well-being of workers and organizational goals.
- Time-specific—State when results will be achieved.

Consider an assessment of Company XYZ that reveals:

- A substantial number of immigrant workers with limited English skills are relying heavily on costly check-cashing services.
- Young workers are burdened by heavy student debt.
- The proportion of new workers participating in the retirement savings plan has declined notably.

These facts suggest a need for three programs targeting specific groups of XYZ workers.

1. A basic banking program for immigrant workers. As a result of

Financial Education and Well-Being Assessment Tools

New tools are available that improve the validity of assessing financial well-being education programs. They make these evaluations less daunting. All but one of the following items are free.

- **Financial Fitness Quiz.** The New Jersey Agricultural Experiment Station at Rutgers University offers 20 online questions concerning money management, credit, insurance, estate planning and shopping. This free quiz uses the responses to provide a score that summarizes the user's financial well-being. Visit njaes.rutgers.edu/money/ffquiz to take the quiz.
- **CFPB Financial Well-Being Scale.** For a tool that measures worker feelings of empowerment, confidence and satisfaction with his or her financial status, consider these ten questions developed by the Consumer Financial Protection Bureau. A ready-to-copy questionnaire that provides individuals with their financial well-being score and a user guide are available free at 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 to evaluate 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 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. Questions provide feedback concerning program content and delivery that are useful when deciding how a program might be improved. The kit is available at 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. The assessment tool, developed through the Personal Finance Employee Education Fund (PFEEF), typically costs $1 per person taking the test. Translation of the PFW Scale™ to different languages is permitted with permission. Visit pfeef.org/personal-financial-wellness-scale-uses-and-policies for more information.

Personal Finance Concepts

Personal finance education may encompass a broad array of topics that will help workers with their overall financial fitness at every stage of their lives.

- Money management and decision making
  - —Identifying needs and wants
  - —Establishing financial goals
  - —Analyzing the costs and benefits of choices
  - —Organizing and storing financial records
  - —Developing a personal financial plan (e.g., budgeting, spending plan)
- Earning
  - —How education, career and life choices impact income and are related to achieving financial goals
  - —How taxes and benefits affect disposable income
  - —Sources of personal income
- Goods and services
  - —Analyzing the products and services of banks and other financial institutions
  - —Making major purchases (e.g., motor vehicle, home, college education)
  - —Renting and leasing (motor vehicle, apartment)
  - —Choosing professionals (e.g., financial, legal, medical)
  - —Expressing consumer dissatisfaction and filing a complaint
- Credit
  - —The costs and benefits of the various types of credit and debt (e.g., credit cards, auto loans, home mortgages, home equity loans, payday loans, education loans)
  - —Building, protecting and rebuilding credit history
  - —Handling credit and debt problems
  - —Consumer credit protection laws
- Risk management and insurance
  - —Insurance products (life, health, disability, long-term care, property and liability)
  - —The need for and value of different types of insurance at different stages of life
  - —Purchasing insurance
- Saving and investing
  - —How savings impact financial well-being
  - —The time value of money
  - —Savings strategies
  - —Savings and investment options (e.g., certificates of deposit, stocks, bonds, mutual funds)
  - —Investment principles (e.g., the relationship between risk and return, diversification)
  - —How government regulatory agencies protect savers and investors
- Paying taxes and giving
  - —Reducing taxes using tax deductions and credits
  - —Tax form preparation
  - —The impact of taxes on investment returns
  - —Assessing charitable organizations
- Coping with and planning for life events
  - —Establishing an emergency savings fund
  - —Estimating retirement needs
  - —Retirement savings strategies
  - —Types of retirement plans (e.g., government benefits, tax-deferred plans)
  - —Retirement spending
  - —Marriage, separation and divorce
  - —Coping with unemployment
  - —Teaching children about money
  - —Aging parents
  - —Financial and health directives (e.g., powers of attorney, beneficiary and account ownership designations, wills)
  - —Estate planning
  - —Funeral planning
  - —Probate and tax planning

this program offered in their native language, participants will:

- Become aware of the alternatives to costly check-cashing services
- Be able to compare services available through local banks and credit unions
- Reduce their use of check-cashing services
- Increase their use of less costly services available through banks and credit unions.

2. Educational debt program. Participants will:

- Learn strategies for reducing the financial impact of student loans
- Recognize the pros and cons of debt consolidation
- Develop a financial plan that will help them achieve their goals for paying off student debt
- Have less financial stress meeting their student loan payments and day-to-day living expenses.

3. Retirement savings education program for new workers. Participants will:

- Understand how compounding and tax-sheltered investments reduce the amount they must save for retirement
- Choose an amount to save that will help them achieve a secure retirement
- Enroll in their retirement savings program
- Be able to create a retirement savings portfolio appropriate to their risk tolerance and current circumstances.

For workers in general, XYZ might offer additional programs, each having specific objectives. For example, depending on the topic covered, a program objective might be that participants will be able to:

- Select an appropriate health plan
- Establish an emergency savings account
- Organize and automate their financial lives
- Break free of debt and improve their credit score
- Create an insurance plan to manage financial risks
- Produce a plan for achieving a secure retirement
- Understand the steps involved in buying a home
- Prepare health and end-of-life directives.

Depending on the objective, a single program may need only a one-time, two-hour presentation; a daylong workshop; or multiple sessions over several months. Financial fitness doesn't happen overnight or through a one-time event. It is a process that involves gathering information, setting short- and long-term goals, taking a series of small steps and establishing routines. Eventually, this process becomes a way of life that leads to the higher level desired results. The process has many similarities to helping a person change his or her diet and/or lose weight.

Develop a Plan

Content

For its financial education program, an organization might adopt a curriculum used elsewhere, modify someone else's program to worker needs or even develop a new curriculum. Examples of free materials that could serve as part of a workplace education program are:

- Money Smart for Adults at www.fdic.gov/consumers/consumer/moneysmart/adult.html
- Wi$eUp: Financial Planning for Generation X & Y Women at http://wiseupwomen.tamu.edu/about-us.php
- Savings Fitness: A Guide to Your Money and Your Financial Future from the U.S. Department of Labor at www.dol.gov/ebsa/publications/savingsfitness.html.

Content should be relevant to the target audience and practical.[3] For a group of low-income workers, a program that addresses how to find low-cost sources of credit, take advantage of tax credits or get financial aid for a child who wants to attend college is likely to be more successful than one on retirement planning. Ultimately, these other topics may help these persons achieve retirement security.

Delivery

Delivery method is as important as the content chosen. What works depends on the workers and the individual organization, and budget often has an impact on the options chosen.

Four popular approaches that are most likely to be effective can be used alone or in combination:

1. **Information distribution.** Booklets, newsletter articles and payroll stuffers, as well as e-mail, social media and websites, often are used to provide information on benefits and financial topics. However, used alone, distributing information tends to be the least effective strategy. Too often, content is set aside, unread and forgotten.
2. **Group sessions (including webcasts).** Workshops and other person-to-person programs let people ask questions and share opinions/experiences. Informal small groups tend to work better than large groups if participants are expected to participate actively in the learn-

ing process. A large group might work when employing a motivational speaker to kick off a program and when using a presenter more than once is costly or impractical.

3. **One-on-one coaching.** Some people—those who need more help or are reluctant to discuss embarrassing financial information in front of co-workers—may benefit from one-on-one counseling with a professional, either in person or through a phone hotline or online chat. Studies show that 80% of employees took action after a one-on-one financial discussion.[4]
4. **Self-Study.** Videos, podcasts, workbooks, games and online learning modules offer opportunities for individualized instruction at the time when a participant needs the information, wants to make a change and is most motivated to learn. These programs also can reach people who are unable to attend group programs. Self-study programs give people the freedom and privacy to explore financial issues they would shy away from with the other delivery methods.

Organizations increasingly are using technology to provide customized and on-demand personal finance education via online events and courses. In addition, calculators and other virtual tools permit individuals to do personalized planning (e.g., determining how much money is needed for retirement, how much house the user can afford and the cost of different credit options). The use of mobile apps, games and social media for adult personal financial education is also emerging.

takeaways

- An organization's leaders may be persuaded to support a financial education program with data on why it's needed and by dispelling fears that such education would be considered advice for which the organization would be liable.
- Employees should be asked what type of financial education they most need and how they'd prefer to receive it. Content should be relevant to the target audience and practical.
- Financial fitness is a process involving gathering information, setting short- and long-term goals, taking small steps and establishing routines.
- Life events provide teachable moments.
- Popular approaches to education are distributing information, group sessions, one-on-one coaching and self-study.

Timing

Learners want content that connects with a current problem or situation they are experiencing.[5] It is likely a group of young, single apprentices is interested in getting credit, buying a vehicle and getting the best deal on car insurance. For them, home mortgages or long-term care insurance may be far in the future.

Life events provide teachable moments when people are motivated to learn and will almost immediately take action on what they have learned. For example, the point when a worker is first hired and must choose among various retirement options is the ideal time to provide education about the options.

If a program covers topics that are many years away, it is highly likely what has been learned will be forgotten by the time it is needed. In an analysis of more than 200 studies of financial education programs, researchers found that within 20 months, most people had forgotten what they had learned.[6]

Providers

While some organizations will have staff members with sufficient knowledge of personal finance and teaching strategies to conduct an education program, others will rely on one of the many external providers that offer workplace programs. The costs and quality of programs vary. Costs depend on factors such as the educational goods and services provided and the number of program participants. Fortunately, many providers are affordable and do not require a big investment of staff time on the part of program sponsors, and some programs are free.

Programs and their providers generally fall into one of four categories:

1. **Vendors.** Benefit providers, financial advisors, investment professionals, insurance agents, attorneys and other vendor representatives often will provide free seminars, classes or one-on-one sessions for workers. Local banks and credit unions frequently have representatives who will do likewise. These programs can be worthwhile and offer useful information on a specific topic but rarely are comprehensive. It's important to be sure vendors aren't masquerading as educators to prospect for clients or sell other educational programs. Many employee assistance programs (EAPs) now offer some type of money management assistance—often a referral to another organization such as a consumer credit counseling agency.

2. **Nonprofits.** Many nonprofits and community organizations offer free or low-cost financial education. Workers can be referred to one of these programs in a specific situation—for example, a nonprofit credit counseling service that helps those with debt problems create a credit management plan or a local organization that assists low-income households complete tax forms.
3. **Government.** Various government and quasi-government organizations offer programs and materials. Federal agencies offer programs and materials online. State and county offices of the U.S. Cooperative Extension System offer a mix of in-person and online financial education programs and materials that are free or inexpensive.
4. **Financial education service providers.** A growing number of businesses focus on providing broad-based financial education, typically through some combination of personal finance risk assessments, in-person workshops, webinars, online courses and personal coaching. Most have been established by professionals from a field with a natural link to personal finance—for example, investment brokers, accountants and financial advisors. Their experience as educators is mixed, and the quality of the programs they have created reflect this diversity.

Logistics

For each component of a program, planners should ask:

- Who will be invited to participate? Household spending decisions rarely are made by one person. Will spouses be invited? What about adult children still living in workers' homes?
- How much time will be involved? An hour of participants' time? Five hours? Twenty hours? The longer the program, the more likely higher level objectives will be achieved. This must be balanced with worker willingness to commit the time.
- How often will the program be offered? The first month a person is hired or when a person reaches a specific age? Once or twice a year? Or will elements be available to workers whenever they want to participate?
- When will the program be offered? Before, during or after work? Is the lunch hour an option? If it's offered during work hours, will workers be paid for these hours? Should the program be scheduled so that it is more convenient for spouses? Could a blended learning approach work—perhaps an online video viewed at home along with a weekly class at work?
- Where will in-person programs be held? At worksites or, perhaps, away from work to protect worker privacy?
- How will technology-based programs be made available? Will participants be able to access the program via computers, mobile devices or both? Will apps, interactive worksheets or websites supplement online content?
- Will the program be mandatory or voluntary? Mandating participation guarantees the largest number of participants but can create ill will toward the program and the sponsor—especially when the program is not a good fit for some who must attend.
- Will participants be expected to share in the cost of the program? If so, how much will they have to pay? If participants are to be reimbursed when they complete the program, what proof do they need and who must they give it to?
- Should food or child care/entertainment be provided so that workers with young children can participate?
- How will workers sign up for the program? Will registration be handled by staff or a third-party provider? Will it be a paper form or online? Is there a method that workers generally prefer when signing up for a program? Sign-up should be as easy as possible.
- How will participation be tracked? Must workers sign in when they attend a group program, or must they get a form signed each time they participate? With a computer-based program, is there a way to track when a user finishes a learning module?

Marketing

Potential participants must be told (1) how they can access a financial education program and (2) how the program will benefit them. Marketing depends on company culture, workforce demographics and program objectives.

An organization may find it valuable to position financial education as a company benefit versus a service or even a program. Some organizations want to tell why they have made a commitment to sponsoring the program. Remind workers this is their program, based on the needs and wants they expressed in survey responses.

When choosing the title for a financial education initiative, use terms workers can relate to and that they view as positive. Promising "10 Ways to Save Money Even When It Feels Impossible" may generate more participation than "Achieving Retirement Security."

To encourage participation, an organization may want to provide a free meal or other incentive such as a cash gift card, discount or reimbursement for money-management software and/or financial planning services, points that can be redeemed for gifts or cash or an entry into a prize drawing for work tools, an iPad, a flat-screen television or other popular items.

Besides promoting the program and the benefits of participation, a marketing campaign is an opportunity to inject an element of fun. Some organizations use gamification and other forms of competition to engage employees.

Prepare a Budget

How much an organization will spend on a program must be considered throughout each stage of planning. A successful program requires balancing worker wants and needs, effective delivery and affordability. Common budget items include:

- Educational materials (workbooks, handouts, course fees)
- Facilities (e.g., room rentals)
- Technology (program development, broadcast fees)
- Marketing efforts (e.g., brochures, participation incentives)
- Fees for any third-party providers (consultant expenses, graphics, printing)
- Internal staff time to develop, facilitate and market the program.

Monitor and Measure Results

Measuring outcomes reveals program strengths, weaknesses and areas for improvement and provides evidence the investment was justified. The easiest information to gather is program usage, participant satisfaction, suggestions for improvement and feedback concerning content, delivery methods, educators/facilitators and ease of access. Harder to measure is the impact on participants—changes in their knowledge, attitudes, skills and aspirations; behavior changes; or improved socioeconomic conditions. These latter two require a commitment to evaluation on a long-term basis.

A sponsoring organization also may want to measure the impact on its bottom line. It can collect data from before and after the program on factors such as absenteeism, payroll advances, garnishments, health care costs, turnover and productivity.

Conclusion

No one financial education program offers a one-size-fits-all solution for helping workers achieve financial well-being; a program that considers the specific needs and interests of workers has the most potential for success. To be effective, the program must also be based on best practices and take advantage of "teachable moments" when workers are motivated to learn.

bio

Patricia A. Bonner, Ph.D., CEBS, is associate director of content support at the International Foundation, where she provides leadership for the Foundation's Financial Education/Retirement Security Initiative, among other activities. She has more than 35 years' experience as a personal finance educator—teaching as well as developing and marketing educational materials for persons aged 5 to 90-plus years. Prior to joining the Foundation, Bonner trained other educators in personal finance, economics and the use of educational technology. She holds a B.S. degree in home economics education from Mansfield University and a Ph.D. degree in family and consumer economics from the University of Missouri-Columbia.

Endnotes

1. E. T. Garman, B. Sorhaindo, A. D. Prawitz, B. O'Neill, S. Osteen, J. Kim et al., "Development of and Norms for the InCharge Financial Distress/Financial Well-Being Scale: A Summary." *Consumer Interests Annual,* Vol. 51 (2005), pp. 233-238.
2. E. T. Garman, "The Business Case for Financial Education," *Personal Finances and Worker Productivity: Proceedings of the Personal Finance Employee Education Best Practices and Collaborations Conference*, Vol. 2, No. 1 (Roanoke, VA: Virginia Polytechnic Institute and State University (1999), pp. 81-93.
3. National Endowment for Financial Education. *Financial Education Evaluation Manual* (2013), pp. 24-27.
4. Principal Financial Group. Face-to-Face Education Drives Better Retirement Savings Behaviour, press release, July 11, 2012 at https://pacificlife.principal.com/about/news/2012/ris-personalized-education071112.htm.
5. M. S. Knowles, R. A. Swanson and E. F. Holton III, *The Adult Learner: The Definitive Classic in Adult Education and Human Resource Development,* 6th ed. (California: Elsevier Science and Technology Books, 2005).
6. Daniel Fernandes, John G. Lynch Jr., and Richard G. Netemeyer, "Financial Literacy, Financial Education and Downstream Financial Behaviors," *Management Science* (January 6, 2014).