What’s Working (and What’s Not Working) in Financial Wellness Programs

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As the popularity of workplace financial wellness programs grows, organizations may find helpful lessons from the experience of employers with long-term programs. The author describes both successful and not-so-successful strategies for helping workers build good habits and reduce financial stress.

What can we learn from early adopters of workplace financial wellness benefits? Financial wellness programs are exploding in popularity as an employee benefit in 2018 but have been available in some form for nearly two decades. Benefits and human resources (HR) leaders who are exploring adoption of a financial well-being program for their employees or are in the early stages of doing so can gain from the experience of organizations that have already implemented successful programs and follow best practices to achieve strong results.

Financial Wellness Compounding Effect

Tackling the consequences of financial stress is not an instant fix. There’s a financial wellness compounding effect: Financial behavior change is incremental and cumulative, and positive changes in financial habits create synergy over time. To capture those synergies, a successful financial wellness program must repeatedly engage employees to build on their progress.

What does that synergy look like after programs have been in place for multiple years? The Financial Finesse Think Tank recently conducted a large-scale study of more than 80,000 employees in the 2017 Year in Review. The study found that employers that have had financial wellness programs in place since at least 2015 are seeing substantial gains in financial health among employees who repeatedly use the benefit.

Repeated engagement by employees includes activities like taking an online financial checkup to identify vulnerabilities and problem areas, having a one-to-one consultation (or multiple conversations) on the phone or in person with a financial planner to identify action steps or get a second opinion on their strategy, and participating in facilitated group learning, such as a workshop or webcast. Compared with first-time users, employees who have repeatedly engaged with long-term programs were twice as likely to be on track for retirement (43% for repeat users vs. 19% for first-time users), half as likely to suffer from unmanageable financial stress (14% for repeat users vs. 27% for first-time users) and significantly more confident investors (60% for repeat users vs. 39% of first-time users).

The figure on page 24 shows strategies that can drive repeat usage of a financial wellness program.

Return on Investment (ROI)

The average score of repeat users improved 22% from their first financial wellness assessment (5.0 out of 10) to their last assessment (6.1 out of 10). According to the Financial Finesse predictive ROI model, this shift would result in an average gain to a 10,000-employee company of more than $500,000 per year in reduced costs of absenteeism and wage garnishments and FICA tax savings from increased employee contributions to health savings accounts (HSAs) and flexible spending accounts (FSAs). This estimate does not include additional savings from reduced turnover and productivity gains because of reduced financial stress as well as reduced costs of delayed retirement (of which a 2017 Prudential study estimated the incremental costs at $50,000 per delayed retiree).
The Multichannel Approach

A multichannel approach that incorporates the efficiency of technology with the effectiveness of human engagement has emerged as a clearly successful strategy. A long-term program that allows employees to access the program in multiple ways, including online, in workshops, over the phone and in person, works as predicted. What hasn’t worked: particularly technology-only strategies, making employees bear a portion of the cost, or using financial wellness to open a backdoor financial sales channel to employees.

Looking for a short-term fix to a long-term problem is also unrealistic. The causes of employee financial stress, like struggles with high credit card debt or student loans or lack of emergency funds to meet unexpected expenses, take time for employees to unwind. Employees struggling with cash flow management or debt may interact with their financial wellness benefit in different ways throughout their journey, first assessing their financial health online and then working with a financial coach to track expenses and develop a realistic spending plan. They may implement their plan month by month to turn their situation around and take a financial checkup periodically to measure progress over time. Once solid cash management habits are formed, employees typically turn their focus to other important life goals, such as saving for a home down payment or college education and increasing retirement savings.

The following is a look at the key components of a financial wellness program and examples of successful (what’s working) and unsuccessful (what’s not working) strategies.

Financial Behavior Change

Behavior change, such as using the automatic rate escalator to save more in a 401(k) plan or finding realistic ways to pay extra each month on credit card debt or save for emergencies, is the guiding principle of a successful workplace financial wellness benefit. Employee satisfaction and employer ROI are directly derived from positive changes in employee financial habits and the related reduction in financial stress. It’s important to note that behavior change is participant-driven. Effective financial wellness programs meet employees where they are, without judgment, and coach them to make useful changes in their financial habits. This is not top-down education about financial topics, where the message is what employees “should” do; it’s guidance and coaching that facilitate employees owning their own results.

What’s Working

- Personalization. Successful programs such as Aetna’s, in place since 2007, keep the focus on the employee, not the benefit or financial topic. The company’s financial wellness benefit is designed flexibly to respond to employees’ individual concerns and includes one-on-one personal financial consultations, small-group workshops, webinars and a financial wellness assessment.

- Coaching and guidance that is specific to the employee’s situation and adapts to the employee’s unique needs. For example, financial coaching for an employee with high student loan debt would include activities like tracking expenses to find ways to save, researching pros and cons of different student loan repayment strategies and developing a plan to pay off loans. Financial coaching for a preretiree might include preparing a retirement budget, running a retirement income projection, offering guidance on how to vet financial ad-
visors and examining options for what to do with retirement accounts after retirement.

- Unbiased programs. The delivery of the financial wellness program does not include any sales of financial products. An unbiased program without a sales pitch fosters a high level of trust between the coach and the employee.

What’s Not Working

- One-size-fits-all education topics.
- Trying to drive benefits utilization, such as increasing participation in the 401(k) or HSA, without understanding the debt and cash flow problems that inhibit employees from participating fully.
- Advice. Telling employees what they “should” do instead of coaching them to own the behavior change.
- Offering a financial product as a solution. This fosters both distrust of the solution and the employer.

Scalability

How can financial wellness benefits reach a large enough number of employees to fully impact the workforce population and drive ROI to the employer? The answer is “mass personalization,” using technology to assess the workforce, identify vulnerabilities, provide self-directed tools and offer reminders, coupled with personalized guidance, learning opportunities and coaching for those employees who need to go deeper or who want a second opinion.

What’s Working

- Mass personalization through a multichannel model. This provides unlimited personalized financial guidance to all employees very efficiently and cost-effectively through online assessment but can go much deeper for those who need an ongoing coaching relationship and/or peer group learning.
- Making financial wellness part of the company culture. For example, financial wellness could be incorporated into the overall employee wellness program.
- 24/7 online access and access to coaching and peer learning for extended hours. This allows employees to interact with the program outside of working hours.

What’s Not Working

- Single-channel models (e.g., all technology, all workshops, etc.). People learn and communicate differently, and an effective financial wellness benefit incorporates a variety of techniques.
- Not including the human touch (that’s what drives the most behavior change).
- Failing to highlight financial wellness in employee communications.

Access

What’s Working

- Financial wellness offered as a benefit to all employees. Viacom’s program, a 2015 Plan Sponsor Council of America Signature Award winner, offers access to all employees, both staff and executives. Making a benefit available to all employees shows a commitment to their financial security—regardless of job type or compensation level. It provides a resource they can turn to at any time, for any financial need, and know that the guidance they get is solely in their best interest, designed around their specific financial priorities, goals and circumstances.
- Employee benefits that focus on financial security (financial wellness, student loan repayment, credit counseling, long-term 401(k) loan for home down payment, etc.).

What’s Not Working

- Limiting financial guidance to a narrow group of employees, such as executives.
- Delaying adoption of a financial wellness program.

Integration With Employee Benefits

Financial wellness benefits implemented according to best practices can increase the utilization of all employee

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benefits. It’s the benefit that helps employees understand, appreciate and maximize their other benefits. Nestlé USA, for example, won a 2017 Eddy Award for using financial wellness effectively in its retirement readiness program. In order to offer employees high-impact financial wellness guidance, the firm redesigned and rebranded its Smart$aving Academy to simplify the education experience, customize it to the career stage and help employees take control of their financial futures. Award judges found the program “easy to use and praised it for offering clear action points.”

Other employers have used financial wellness programs to strategically manage benefit changes, such as the rollout of high-deductible health plans (HDHPs) or changes in retirement plans or compensation. Consider a company that is adopting an HDHP with an HSA option with employer contribution as one of its health insurance choices. An employer can offer targeted workshops or webcasts reviewing the changes, customized employee communications and personal financial coaching to help employees understand and compare plan choices, prepare for the cash management changes needed to maximize an HSA and decide which plan is best for their unique family circumstances.

**What’s Working**
- Financial wellness as a specific, named benefit.
- Fully integrating financial wellness with other employee benefits (especially during open enrollment and life events such as marriage, parenthood, divorce, bereavement leave, etc.).
- Using financial wellness strategically to help manage benefit changes.

**What’s Not Working**
- Not using the financial wellness program to explain and encourage participation in other benefits.
- Not marketing the financial wellness program to employees (see the section on marketing).

**Technology**
Technology plays an important role in a comprehensive financial wellness program, but it’s only one component of a multichannel program. Technology, when leveraged correctly, can be a powerful tool, especially for assessing the workforce and measuring progress. Movement Mortgage offers a best-practice example of how this can work: The company offered the entire company a simultaneous pause in the workday to complete an online financial wellness assessment and then used the results to identify workforce vulnerabilities and craft targeted solutions.

Financial Finess 2015 research found that while technology was helpful in increasing employee awareness of their financial vulnerabilities, online interactions alone did not improve employee financial wellness. By contrast, employees who had five interactions including conversations on the phone or in person with a financial planner showed substantial progress, including 72% of those users having an emergency fund, compared with 50% of online-only users and 98% of “five and live” users contributing to their retirement plan, compared with 89% of online-only users. Repeat interactions with a financial coach appear to help an employee get “unstuck” and advance in key areas.

**What’s Working**
- Using technology to identify problems, inform and measure progress.
- Using technology to assess workforce financial wellness and measure program ROI.
- Integrating technology with human interaction.

**What’s Not Working**
- Expecting technology alone to create substantial behavior change or drive ROI.
• Offering information but not interaction. It’s the relationship that gets results.
• Not prioritizing security of employees’ personal information or company data.

Employee Engagement
Employee engagement in the financial wellness program drives program results. Personalization and access to a financial coach are critical in facilitating positive behavior change for workers who are the most financially stressed. Employees who are more financially sound will be more likely to repeatedly engage with the program if they can get an on-demand second opinion about their situation. A multichannel program that offers the right channel to the right employee at the right time maximizes employee engagement.

What's Working
• Multichannel programs—multiple ways for employees to engage with the program.
• Unlimited access to financial coaching.
• Employee-centered facilitation and coaching focused on behavior change.
• Long-term programs that are part of the company culture.
• Identifying financial wellness champions and telling their stories in employee communications.

What's Not Working
• Single-channel programs, for example, online only.
• Education that focuses on what employees “should” do (e.g., save 15% in your 401(k)).
• Expected short-term, permanent fixes.
• Offering the same workshop and webcast topics to all employees.

Marketing
A financial wellness program should be marketed as a valued employee benefit. Employers that adopt a financial wellness program will not be highly effective in driving behavior change (and thus ROI) unless employees are aware of the benefit and utilize the program. Users won’t just come because you build it—You must invite them. The most cost-effective way to do this is via other benefit communications.

What's Working
• Prompting employees to interact with their financial wellness program in all benefit communications. This includes the benefits portal, retirement plan statements, and communications about benefits changes and open enrollment. One Fortune 500 company, for example, prompts employees to call a dedicated help line for financial matters for unbiased answers to their financial questions at key search times and includes the phone number on the log-in page for their employee benefits website, on the retirement plan portal and on retirement plan statements.
• Developing a marketing plan and budget for the program.
• Making financial wellness part of the company culture as a valued employee benefit.

What's Not Working
• Not having a plan or budget to market and promote the program to employees.
• Failing to prompt employees to participate during key decision periods (new hires, open enrollment, maternity leave, early retirement, etc.).

Integration With the Retirement Plan
Employers that utilize financial wellness program best practices can benefit from integration with their 401(k) or 403(b) plans. Our research shows that repeat users of financial wellness programs in place since 2015 or earlier are twice as likely to have run a retirement projection and be on track for retirement. According to our 2016 ROI Research, higher financial wellness scores correlate to the ability and choice to make increased retirement saving deferrals. An analysis of retirement plan contribution rates found that employees who improve their Financial Wellness Score from 4 to 6 could potentially improve their retirement plan balance by more than 27% over their careers. That has the potential to significantly reduce employer costs of delayed retirements for the early to midcareer employee workforce.

What's Working
• Plan providers and advisors offering financial wellness programs from an unbiased partner as a complement to retirement plan services.
• Warm transfers to/from the retirement plan administrator and financial wellness program.
• Helping plan sponsors meet requirements under Employee Retirement Income Security Act (ERISA) Section 404(c).
• Helping financially stressed employees manage cash flow and pay down debt increases retirement plan deferral rates.
• Reducing long-term plan leakage from 401(k) loans and hardship withdrawals.

What’s Not Working
• Using financial salespeople to deliver financial wellness programs.
• Lack of integration with retirement plan.
• Focusing on retirement preparation only, without addressing cash management and debt problems that prevent full retirement plan participation.

Funding
Employees have a high level of trust in financial guidance at work. They know the difference between unbiased guidance and a sales pitch. A program that is perceived as biased could erode that trust and inhibit financial behavior change.

Early adopters of financial wellness programs have had diverse and specific goals for their employee populations, but successful programs are employer-paid in some way. A best practice is for organizations to offer financial well-being programs as a fully paid employee benefit.

Recently, there has been some muddling of the financial wellness message by financial solutions/sales programs marketed as a financial wellness. Individual financial wellness is a state of being, but an unbiased financial wellness benefit is not a sales channel to employees. Many employers and retirement plan providers are increasingly looking to unbiased partners to deliver financial wellness integrated with the retirement plan and other employee benefits.

What’s Working
• A financial wellness benefit that is fully paid by employers.
• Using ERISA funds to pay for part of the program if it is focused on retirement education.

What’s Not Working
• Expecting employees to pay for some or all of the cost.
• A faux financial wellness program offered for free by benefits vendor as an inroad for a financial sales channel to employees.

Learn From Best Practices
HR or benefits executives considering adopting an unbiased workplace financial wellness program or looking to increase utilization of an existing program will find clear evidence of what’s working and what’s not working based on results from early adopters. Following best practices for financial wellness programs should drive employee financial behavior changes, reduction in financial stress and employer ROI.

Endnotes
1. 2017 Year in Review (Financial Finesse, 2018).
2. ROI Special Report (Financial Finesse, 2016).
3. Why Employers Should Care About the Costs of Delayed Retirements (Prudential, 2017.)
5. 2015 Signature Awards, Plan Sponsor Council of America.
7. The Eddy Award (Ponline.com, 2017).
10. 2015 Year in Review (Financial Finesse, 2016).

bio
Liz Davidson is CEO and founder of Financial Finesse, an independent provider of unbiased financial wellness programs in the U.S. She started Financial Finesse 19 years ago to help people from all walks of life become financially secure and independent, and she was an instrumental part of starting the workplace financial wellness industry. Davidson holds an M.B.A. degree, with a concentration in finance, from the Anderson School of Management at the University of California, Los Angeles.