Financial stress affects the three main generations in the workforce in different ways. Plan sponsors have an opportunity to help all three generations through employee benefits—including financial wellness programs.
Financial wellness isn’t a new topic. More employers are offering benefits that improve the financial well-being of their workforce. However, in order to do that more effectively, employers need to understand what’s causing their employees’ financial stress levels. It affects the three main generations in the workforce—Millennials, Generation X and Baby Boomers—in different ways. Those differences dictate offering varying benefits that would be of interest to the individual generations.

One thing we do know: Employees are stressed and distracted at work about their personal financial situations. Whether it’s student loans, car payments, mortgage/rent payments, credit card debt, an unexpected expense or some other financial matter that they are worried about, the bottom line is they are spending time at work on these issues rather than concentrating on the job they are being paid to do.

In fact, 46% of employees distracted by their finances at work spend three or more hours each week in the office thinking about or dealing with their personal financial issues, according to the PwC 2017 Employee Financial Wellness Survey. So, add that up. That’s 150 hours of lost productivity per year per employee who experiences financial stress. And that applies to almost half of employees who are sidetracked from doing their work because they focused instead on their finances. In addition to lost productivity, financial stress in the workplace can also mean distractions that cause workplace accidents, costly data errors, poor customer service and more.

### Signs of Employee Financial Stress

Employers need to recognize signs of employee financial stress as well as understand their employees’ financial stress levels, what’s causing it and how they handle it.

Four common signs that occur in the workplace may be signals to employers of a financially stressed employee:

1. Withdrawing multiple loans against retirement savings
2. Asking for payday advances
3. Unexpected absences. For instance, employees who don’t have the money for needed car repairs may suddenly have to stay home until they figure out other arrangements.
4. Medical issues that could have been avoided through preventive care that was unattainable due to large deductibles or copays.

### Deep Dive Into the Generations

While each of the main generations shares some of the same worries and financial challenges, there also are differences in the ways financial stress affects them. Of course, these generalizations may not be true for all employees, because even within the generations there are varying lifestyles, characteristics and buying preferences. As an example, one Baby Boomer may be an empty nester while another had children later in life.

### Millennials

There are a number of reasons Millennials (generally, those born from 1981 to 1996) have financial stress:

- Seven in ten carry balances on their credit cards, with 45% using credit cards for monthly expenses they couldn’t afford otherwise.
- Almost half (47%) of Millennials don’t have $2,000 in savings for emergencies.
- More than two-thirds of Millennials have at least $10,000 in student debt, and one-third of those with student debt owe more than $30,000.
- Half (52%) of Millennials have experienced a cash trap in the last three months, meaning that they’ve had to borrow money or dip into savings to make it to the next paycheck.

### Financial Education Programs

Financial education programs that address topics such as budgeting, debt management and retirement planning also can help reduce financial stress.
They bring their financial stress to work—31% of Millennials spend three to five hours at work each week on personal finances, while 29% spend more than five hours. Millennials want help managing a range of financial matters. The No. 1 issue they are concerned about is saving for retirement, followed by developing good general savings habits and paying down debt.

**Generation X**

The reasons behind financial stress for Gen Xers (generally, those born from 1965 to 1980) include:

- 63% carry balances on their credit cards and, of those who consistently carry balances, 42% find it difficult to make their minimum credit card payments on time each month. In addition, 38% of Gen Xers use credit cards for monthly expenses they couldn’t afford otherwise.
- 51% of Gen Xers don’t have enough emergency savings for unexpected expenses.
- 50% of Gen Xers find it difficult to meet household expenses on time each month.
- Generation X is Generation Debt 1.0. Like Millennials, Xers are highly educated and they are still paying for it. Yes, although members of this generation graduated decades ago, they may still be paying off student loans. And to make matters worse, they may have a still-upside-down mortgage on top of it.
- Among the 31% of Gen Xers with student loans, 42% say it is having a significant impact on their ability to meet their other financial goals.

And Gen Xers bring their financial stress to work with them. Of the 34% of Gen Xers who say their finances have been a distraction at work, nearly half (46%) spend three hours or more at work each week dealing with personal finance issues.

Much of the financial wellness state of Gen Xers can be attributed to the sandwich syndrome. This generation is supporting and educating children while also providing care for aging parents. In these circumstances, the potential for financial duress can be substantial, but steps can be taken to reduce stress, balance budgets and mitigate the effects of unplanned life events.

**Baby Boomers**

The following statistics reveal the major financial stressors for Baby Boomers (generally, those born from 1946 to 1964):

- 41% carry balances on their credit cards and, of those who consistently carry balances, 36% find it difficult to make their minimum credit card payments on time each month. In addition, 18% of Baby Boomers use credit cards for monthly expenses they couldn’t afford otherwise.
- 45% of Baby Boomers say their top financial concern is not having enough emergency savings for unexpected expenses, 41% say it is not being able to retire when they want to and 20% say it is not being able to meet monthly expenses.
- 32% of Baby Boomers find it difficult to meet household expenses on time each month.
- Among the 9% of Baby Boomers with student loans, 48% say it is having a significant impact on their ability to meet their other financial goals. Of those with student loans, 60% say the loans are for their own education and 38% say they took on loans for their children.

Of the 16% of Baby Boomers who say their finances have been a distrac-
tion at work, more than one-third (36%) spend three hours or more at work each week dealing with personal finance issues.  

How Plan Sponsors Can Help

Plan sponsors have an opportunity to help all three generations by offering financial wellness benefits. While financial wellness programs have not yet reached the level of penetration of other longstanding benefit offerings, 52% of employers have implemented or are considering implementing a financial wellness program, and 44% believe that a financial wellness program is becoming a must-have benefit in order to be competitive.

Employers seeking to address financial stress offer financial education and financial wellness programs at work in an attempt to educate employees on how to better manage their money, help them change their money behaviors and increase their financial literacy. These include online financial education tools and resources as well as on-site money management and financial planning seminars. These programs should use various communications channels and should be targeted to employees’ financial needs.

Just as the reasons for their financial stress differ for the generations, so too does the type of financial education and financial wellness programs that will appeal to them. There isn’t a one-size-fits-all solution.

Matching workforce financial wellness needs with employer benefits offerings is critical. Employers should consider integrating financial education tools and solutions with traditional benefits in a comprehensive package that is customized based on employee needs.

**Millennials**

Millennials are an on-demand generation—they want to be given lots of options in their benefits package and then have the power to pick only those they deem useful. This mentality has driven demand for a wide variety of benefit options. By offering a variety of voluntary benefits, employers provide a means for Millennials to customize their benefits package, including benefits that address financial wellness, and choose options that are important to them.

Benefits like identity theft protection, critical illness insurance, student loan repayment programs and pet insurance appeal to Millennials and can have an impact on financial stress. However, only 3.9% of employers currently offer student loan assistance.

Of all the generations, Millennials are the most amenable to participating in financial education programs, with 92% saying they would use a financial wellness program at work if offered one. Financial education programs should address topics such as budgeting, debt management and starting a savings plan.

**Generation X**

Because they not only have children but also are likely taking care of their parents, Gen X might be the generation needing the most variety of benefit options related to financial wellness. Their benefit needs include everything from income protection, financial wellness and retirement education to family support, child care and elder care. By offering a variety of voluntary benefits, employers can provide Gen Xers the opportunity to customize their benefits package to meet their individual needs, even though they may need to pay the premium.

The good news is that Gen Xers are very interested in improving their financial wellness. In fact, if offered financial education programs at work, 89% of Gen Xers would participate in them.

Financial education programs should cover topics such as budgeting, debt management and retirement planning.

**Baby Boomers**

If offered financial education programs at work, 76% of Baby Boomers say they would participate in them. Among the financial wellness programs employers can utilize to aid Baby Boomers are financial education programs on debt management and retirement planning.

Serious illnesses affect older people more, so critical illness coverage and cancer coverage are important to Baby Boomers. Long-term care (LTC) insurance may be another benefit offering to consider. It can safeguard income in the event that an employee of any age requires assistance with daily living tasks such as eating, bathing or driving. Illness or accident could create this need for anyone, but Baby Boomers nearing retirement are more likely to be interested in this benefit. However, it’s costly, so the younger the employees who buy LTC insurance, the lower the cost. Generally speaking, it is most cost-effective to buy LTC insurance between the ages of 50 and 65.
Conclusion

A broader approach to employee financial health, as well as keeping the specific needs of employees in mind when it comes to benefits, can help employers truly maximize the effect of their benefit package on workforce management activities, allowing them to better recruit and retain talent. Better financial well-being for employees means they are less financially stressed. And this can ultimately result in more engaged, productive workers and an increased bottom line for employers.

Endnotes

2. Harris Poll on behalf of Purchasing Power conducted December 15-17, 2014, conducted online among 2,016 full-time employees nationwide.
6. Ibid.
8. Ibid.
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