Are you considering working with a recordkeeper or third-party vendor to implement a workplace financial wellness program? This article describes key questions to address before getting started as well as commonly used program approaches.
It’s no secret—despite their best efforts to compartmentalize, financial stressors at home often creep into employees’ daily lives and have a profound impact on organizational productivity. By providing tools, services, coaching and education, financial wellness programs are one strategy employers can use to reduce employee financial stress and increase productivity.

The best financial wellness programs seek to achieve the following goals: provide a holistic view of a worker’s finances, not just what’s saved in an employer-sponsored retirement plan; help employees change their financial behavior; reduce financial stress; and inspire confidence in the probability of achieving financial goals.
As with many employee benefits programs, these initiatives typically come with an added cost. Employers that question whether a financial wellness program is worth the buy-in may want to consider these statistics:

- In a 2014 study on financial behaviors of people in the United States, the Consumer Financial Protection Bureau reported that 83% of individuals lack savings, 71% don’t have enough money to cover regular expenses and 69% don’t have enough saved for retirement.
- According to a 2016 PriceWaterhouseCoopers, LLP, study, 46% of employees distracted by their finances at work say they spend three or more work hours each week on personal finances.

Fewer private sector employers offer defined benefit plans—as such, any employee who is not covered by and adequately saving in a workplace 401(k) or similar plan may be ill-prepared for retirement.

To garner organizational support for a financial wellness solution, an employer needs to justify how a financial wellness program will boost the organization. Key questions to address include:

- **Do the benefit enhancements motivate employees to improve performance?** This question should be evaluated through both direct and indirect lenses. If employee performance improves as a result of the employee having fewer external factors to worry about, the employer benefits.

- **What are the employer’s goals for the benefits plan?** Is it seeking to save money or attract talent? How do those compare with competitors? Employers should weigh benefits options against their goals and select the plan that is best suited to achieve them. When it comes to attracting talent, benchmarking against peers is particularly important—especially in the current tight labor market.

- **Does one age group dominate the workforce?** What will the age range of employees look like 15 years from now, and how will this impact future costs? Benefit plans should be reflective of the employer’s current workforce but also plan ahead for what the workforce may look like in 15 years. Employers with a younger workforce may want to consider a plan that focuses more on flexibility, pregnancy care and well-baby management, and paid time off, while an older workforce may be more motivated by retirement and comprehensive health care benefits.

- **Have employees indicated financial hardship or challenges with large amounts of debt, such as student loan debt?** If so, easing those hardships may be of greater value than providing other added benefits.

- **Are employees retiring on time with adequate savings, and how much is the company spending on health care for employees age 65 and older?** An older workforce often equates to greater employer spending on health care. Helping employees plan ahead to retire on time can allow for additional employee recruitment and higher productivity.

- **Is there a high amount of loan activity in the 401(k) or alternate savings plan?** This may be another indicator of financial hardship among employees and create a further drag on adequate retirement savings.

### Program Approaches

Once the need for a financial wellness program is established, employers can identify the appropriate type of program for their organization. Financial wellness solutions come in various delivery methods and are available from recordkeepers and third-party providers. Employers will need to examine their preferences and employee needs to identify the program with the best fit.

The following are the most common types of approaches.
**Tool-Based Programs**

Tool-based programs are often available in the form of an online calculator and provide a structure to help employees manage their own money. Users input financial data and receive simple budgeting recommendations in return. These programs often link with the users' other accounts and sources of financial information to help provide a more complete financial profile. Tool-based programs are often a low-cost resource and are easy for employers to implement, but they can be rather simplistic. When considering these programs, employers should factor in whether they believe employees will actually use them. They will have limited benefit if only a small percentage of employees use them.

**Product-Based Services**

These programs are an offshoot of tool-based programs and are similar in nature, but they include more interactive elements. After employees input data, product-based services guide employees through examples of real-life financial scenarios, provide education and identify other resources needed in the process of that education. Often, these services will even follow up with employees to ensure they are staying on track, and they will provide encouragement to help them along in the process. The program will help employees identify needs such as additional life insurance, preparation of a will/trust, disability insurance, etc., that might need to be addressed through other resources. Suggestions are provided about where to go to fill those needs, hence “other products” may be introduced into the financial wellness solution that will in effect be sold to the employees.

**Education and Literacy Programs**

These programs are often web-based and focus on educating employees about how to improve their immediate spending and saving decisions. Within these programs, employees will find a library of financial topics to choose from, and plan sponsor representatives and employers can help determine the financial literacy topics best suited for each employee.

As with other programs, education and literacy initiatives are a two-way street, and employees must be willing to share personal financial information in order for the employer to provide accurate assessments of employee needs. Employers should look for programs that offer recently updated resources and substantive content. Education and literacy programs typically have questions built in to create a customized experience, and they utilize behavioral science to ensure employees remain engaged. Solid programs will also keep track of what resources an employee has already explored—like budgeting, for example—and direct them to those they have not yet learned about, like paying down debts.

**Coaching and Behavioral Programs**

These programs are offered over the phone or face-to-face and focus on long- and short-term behavior modification. They utilize education and clear next steps to help employees achieve financial wellness. These programs provide a variety of content and distinct benchmarks, utilizing fewer tools but presenting more engagement between plan sponsor representatives or employers and their employees.

Focused on the individual, financial wellness coaches identify an employee’s level of financial literacy and what behaviors need to be modified. For example, an employee might have debt to address and income to allocate for saving before the process of saving can actually begin. In this instance, coaches will encourage the employee to practice better control when spending and provide rewards for becoming a better saver.

Rooted in behavioral psychology, this practice involves walking the employee through the financial literacy journey in bite-sized pieces. Instead of telling employees that their health care
costs alone will be $250,000 in retirement, the coach may instead start with goals that are attainable and easier for employees to wrap their heads around, weaving in small steps that indicate early signs of progress and keep employees motivated to succeed.

Coaching and behavior programs tend to offer employers the best insight into how employees are progressing on the road to financial wellness. In turn, this information also helps employers evaluate the return on investment (ROI) of the program. The best way to measure this ROI is through engagement: evaluating how many employees have enrolled in the program, participated in assessments, etc.

In the long term, a solid program should be able to report to the employer the overall reduction in employees’ personal debt, increases to participation in 401(k) programs and increased deferral rates. With each of these indicators trending in the right direction, employers should see a more engaged workforce, higher employee benefits satisfaction, job satisfaction and more financially stable employees.

**Customized Employee Education Programs**

These are typically developed by an investment advisor and the employer’s human resources (HR) department. They provide a tailored option, coupled with one-on-one interaction, to meet identified needs of the employees. This option, though the most costly, may resonate with the unique needs and assets of an organization’s employees.

**Selecting a Partner**

Once the appropriate method is identified, employers must determine the provider that’s best suited to their organization. The following questions are essential when selecting a program partner:

- **Content**: Does the program’s specialization (e.g., budgeting, debt management, general financial knowledge, investment knowledge, large purchase planning, financial planning, estate planning, charitable giving) align with the primary needs of the employees?

- **Engagement experience**: Does the program offer a structured format for employees to follow, or does it need to take a different approach? Can the provider show actual adoption rates with existing clients?

- **Alignment with the current retirement plan recordkeeper**: Does the program integrate with the participant services provided by the plan’s recordkeeper? For example, many programs offer technology that is compatible with retirement recordkeeper software, offering a full picture of employee retirement information in one comprehensive user experience.

- **Reporting and measurement capabilities**: Can the program provide detailed reporting on usage, impact and progress against agreed-upon organizational goals? Of course, no employee benefits decision is complete without factoring in cost. Another aspect of the financial wellness solution decision will be what it will cost and who will pay for it. Financial wellness program costs range from $5 per employee for simple, internet-based systems to thousands of dollars for financial wellness solutions that provide both on-demand resources and live, interactive support. Third-party providers often offer the option of participant-paid services, while recordkeeper-based solutions typically build financial wellness programs into their standard fees to the employer and don’t include these solutions as a separate line item.

- Plan sponsors also should consult with their advisors to address any fiduciary concerns related to offering a financial wellness program.

- Recordkeeper financial wellness systems, when offered as a free add-on, tend to be more simplistic, so employers must decide what level of solution they’re looking for. A third-party provider may offer more services to the employee. A cost-benefit analysis, for both the employer and the employee, is essential in determining which plan is the best fit. Regardless of the plan selected, careful rollout and information sharing with employees is critical to ensure uptake of the program. When employees understand how to use the program and what it has to offer, they are much more likely to use it to their advantage.

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