The Next Generation of Benefits

The Case for Financial Wellness Programs to Unlock Heightened Employee Engagement

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By the time she finished graduate school, Eve had accumulated some $45,000 in student loan debt. Living with her parents for a year after graduation helped reduce her debt load by half, but her monthly expenses exploded when she moved to Chicago to start her dream job. Now, she struggles to cover her monthly loan payment after she’s paid for rent, transportation and other expenses of urban living. Not only that, she’s working 50-60 hours per week, and all she can think about is taking a getaway, which she just can’t afford.

Eve’s story may be hypothetical, but it reveals the wide range of financial issues facing employees—those starting their careers as well as those who are approaching retirement. A recent survey showed that overall, some 71% of all U.S. workers say they are in debt. Debt is not a bad thing by itself, representing a necessary step for consumers seeking to buy cars and homes, but carrying too much debt creates a barrier to financial independence. In that same survey, more than three-quarters of employees said they are living paycheck to paycheck, while 25% said they have not been able to pay all their current monthly bills in full.

A growing body of evidence suggests that financial woes adversely affect performance on the job. For example:

- The EY Financial Wellness Assessment found that about 50% of approximately 34,000 employees at major Fortune 500 companies spend time worrying about their financial situations.
- According to the Society for Human Resource Management (SHRM), 83% of human resources professionals say that financial stress negatively impacts employee work performance.
- In another study, 51% of employees said they have taken time off work to deal with a personal financial situation or the stress that comes with it.

This situation is not sustainable. In today’s hypercompetitive marketplace, few organizations can afford to have employees check out mentally and emotionally and not be engaged on the job due to financial distractions. When em-

AT A GLANCE

- A growing number of employers have implemented holistic financial wellness programs to help employees who are grappling with problems such as debt and lack of savings.
- It is a challenge to design financial wellness programs that appeal to the needs of a multigenerational workforce.
- A financial wellness program that uses a mix of digital and human financial wellness services can enable employees to adopt the elements that best fit their individual needs.
ployees are not at the top of their game, they are neither productive nor innovative.

This dilemma will become even more pronounced as more Millennials—who by some estimates account for nearly half of the $1.5 trillion in outstanding student loan debt in this country—assume an increasing share of the workforce. This debt load, unsettling even amid a relatively strong economy, inhibits their ability to save for a rainy day, let alone a house or even retirement. In addition, a study that compared Millennials with preceding generations found that they were less well-off financially than other generations at a comparable age, "with lower earnings, fewer assets and less wealth." Moreover, as post-Millennials (those born after 1997) enter the workforce, they will likely face many of the same problems as Millennials, especially with student loan debt.

Millennials are anticipated to account for nearly half of the workforce by 2020. Companies that offer a comprehensive benefits program that includes financial wellness as one of its key components will become increasingly attractive to workers, particularly Millennials.

Many companies have found that well-established, holistic financial wellness benefits programs boost recruiting and productivity efforts and improve employee retention. The challenge facing many organizations today is to design programs that appeal to the needs of a multigenerational workforce and that include comprehensive benefits as well as additional delivery and implementation models.

Financial Wellness Programs: Not a One-Size-Fits-All Employee Benefit

For years, forward-thinking companies have recognized the link between providing comprehensive benefits and developing a more engaged workforce. Over time, programs aimed at helping employees plan for their financial future have evolved from fairly straightforward 401(k) plans into programs replete with tools to help employees save and invest for such things as home purchases and a child's education. And within the past ten years, more companies are offering programs focused on financial wellness.

Momentum is building in this space. A SHRM survey found that nearly one-half of employers (49%) offer some type of financial guidance and education to their employees. The scope of programs includes providing resource materials or referrals, offering online assessment and advice tools, and offering group instruction. Some programs also provide access to financial counselors who can map out strategies to help employees pursue wide-ranging financial goals, such as retiring, purchasing a home or saving for a child's college education.

Research shows that these programs are yielding a return on investment: A report by the Consumer Financial Protection Bureau found that companies reported, on average, a return of $3 for every $1 invested in financial wellness programs. Respondents attributed this to less time spent worrying about finances and a growing sense that when the time came they would be able to address major events in their life and career.

Linking the Divergent Needs of a Multigenerational Workforce

Even though financial wellness programs can provide benefits for companies and employees alike, employees will fall somewhere across a spectrum of financial acumen. Some are hesitant to ask for assistance or too overwhelmed to start financial planning, while others are highly in touch with their personal finances and may have worked with an advisor for years. To address these varying comfort levels and better target resources to individual needs, employers need to offer programs that connect all the dots, whether it's helping a 20-something pay off a student loan or a 50-year-old prepare for retirement.

Employer-sponsored financial wellness programs can make a significant difference in helping employees find some measure of financial peace of mind. Typically designed to complement existing benefits and compensation programs, these programs aim to appeal to employees throughout their careers. See the sidebar for how various scenarios can play out for individuals and families based on the stage of their respective financial journeys.

As they start their careers, Millennials clearly have different financial aspirations. One study showed that many would even agree to take a pay cut if it meant working for a company that was...
In addition, many are not shy about taking advantage of the sharing economy. Some are delaying car purchases as they rely on ride-sharing services and pursue alternative living arrangements, which may include staying with their parents.

Still, even with these alternative arrangements, Millennials are realizing that at some point they need to take steps to get their financial houses in order. At the same time, Millennials also are an underserved market. For example, many younger employees have not acquired enough wealth to be assigned a financial advisor at many of the larger investment firms. In addition, many Millennials still have vivid memories of the financial crisis of the 2008, when some saw the finances of their parents and other relatives devastated by the housing crash. In that light, some are reluctant at first to invest in 401(k) plans or put money aside for the future. That is beginning to change, however, as more Millennials realize they need help getting their financial affairs in order as they grow older.

**Innovation in Employee Benefits Delivery and Implementation**

In recent years, a growing number of companies have entered the market to provide comprehensive financial wellness programs for large and mid-sized corporations. They typically rely on a business-to-business-to-consumer approach, in which a service provider offers its services to a company, which then extends the benefit to its employees. These programs combine a strong online presence with live access to finance professionals who can help employees navigate the decision-making process, from benefit plans to broad financial planning.

These digital platforms appeal not only to younger employees, but also to late-career workers who log in to model various retirement planning scenarios. These tools enable employees to adopt the elements that best fit their individual needs, in much the same way they customize health plans. Most plans are optional, so employers who pay a set fee per employee need to promote their financial wellness programs to increase participation and improve return on investment.

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**Personal Stories**

One advantage that a hybrid financial services planner can offer over one that features only online capability is that human financial planners often provide insights that can help employees find additional savings in their monthly budget. Here are three stories of how financial planners helped clients achieve important financial goals, from accelerating their reduction of student loans to contributing more money to their retirement plans.

**Single Millennial Starting a Career**

Employees who are just starting their careers often are eager to pay down student loan debt as soon as possible and start saving for other financial goals. Working with one former student who had significant student loan debt, the planner realized that other financial factors were in his favor, particularly minimal credit card debt. She helped the client create a budget that would allow him to accelerate his schedule to pay down his student loans and also put money aside in a rainy-day fund. His new budget also gave him greater leeway to invest in his company’s 401(k) plan to take advantage of his employer’s matching contributions.

**Married Couple Starting a Family**

A married couple who had just started their family wanted to save enough to buy a home in ten years. Concerned about how they could do this while still paying off the wife’s consolidated student loan debt, a financial advisor examined their finances and found that they were on track to pay off the loan in four years. The advisor helped them set up a household budget that reduced their monthly expenses and adjusted their excess tax withholdings to increase take-home pay. These steps put them on track to pay the student loan off one year earlier.

**Married, Nearing Retirement Age**

A married woman nearing retirement age knew that she had already worked long enough to qualify for a pension but not for health coverage, which would be a concern when she was no longer covered by her husband’s plan. After a careful examination of their costs, a planner helped the couple determine that she could afford to retire and still put enough money aside to pay for health care until she was eligible for Medicare.
As companies consider which financial wellness program provider will best meet their needs, they need to consider a range of factors:

1. Does the program offer a holistic approach based on the individual’s financial life journey—from starting a career to buying a house or saving for a child’s college education? Many financial wellness companies tend to push specific products or offer “point solutions” that don’t necessarily take an individual’s complete financial situation into account. To be most effective, the program should offer comprehensive planning across the spectrum of financial needs, from short- to long-term goals. And the offering should include eligibility for a spouse or partner, whose income and assets are included in shared financial goals.

2. Does the program feature a secure, interactive website—one that includes content-rich material and online calculations that can be highly personalized to the user’s data, life and goals—and provide access to a planner? This may empower the employee to take action and make changes in pursuit of his or her goals.

3. Can the provider help the company promote the program by offering such elements as group learning, customized on-site workshops and online webinars? These educational activities serve as important ways to address the steps employees should consider to prepare for major life events, such as buying a home or starting a family. They also can encourage employee participation in corporate benefit programs.

4. Will the program take an agnostic approach and provide objective advice not tied to one investment or financial institution? Many providers claim to be objective but instead steer employees to products and services in their own portfolios. This can be effective in some situations, but it is often preferable to provide guidance based exclusively on the employee’s facts and circumstances.

5. Does the provider offer a broad range of financial services, from tax planning and filing to those related to organizational change?

6. Does the provider offer an appropriate level of institutional rigor and quality? This should not be overlooked.

The provider should institute quality standards, particularly related to the training and qualification of advisors. Appropriate training supports an advisor’s ability to provide employees who use the service with an actionable plan forward on money-related matters.

7. Is the provider nimble enough to respond effectively when the employer acquires a new business or launches a comprehensive overhaul of its benefits package? Can the provider scale operations rapidly enough to help new employees understand the implications of the acquisition or the rollout of a new benefits program? The introduction of a new plan is a critical time, since many employees are most at risk of...
making a mistake either because of a lack of understanding of the new plan or because they opt not to take any action.

8. Is the provider prepared to help employees understand options if their jobs are eliminated or their business unit is sold? This can include providing guidance for enrolling in coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA) or helping employees understand options related to their 401(k) balances to help avoid financial penalties. This also extends to helping them understand what their options are if they choose to embrace the gig economy by starting their own business or becoming a freelancer. In fact, as more people pursue nontraditional careers, financial wellness programs could become increasingly popular as a direct-to-consumer offering.

Even though employee financial wellness programs are still relatively new in the marketplace, we are already seeing growing momentum as more companies rely on them to serve as a competitive differentiator in recruiting new talent. Financial pressures are not expected to ease anytime soon, especially as more Millennials enter the workforce. The best and brightest, however, will have a wide range of potential employers to choose from, and companies that want to set themselves apart should include a full suite of benefits, including financial wellness.

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Endnotes