Enrich

CASE STUDIES

WORKPLACE FINANCIAL WELLNESS

Consequences of low financial well-being in the workplace:

- Increased tardiness and absenteeism
- Unplanned days off
- Increase in 401(k) loan and hardship withdrawal requests

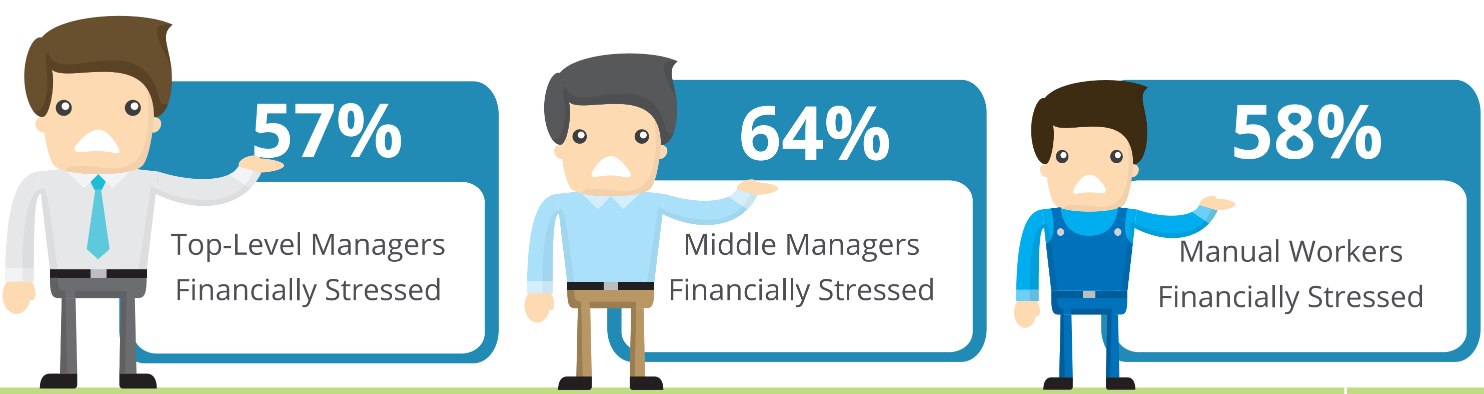
According to the American Psychological Association (APA), money continues to be the biggest cause of stress amongst Americans[1]. A poor sense of financial concepts coupled with an ever-growing array of financial responsibilities contribute to the aches and pains of millions of hard-working Americans.

In a country where financially distressed employees spend up to 20 hours per month negotiating with creditors, paying bills and discussing financial issues[2], employers are beginning to understand the importance of a financially informed workforce.

The Occupational Safety and Health Administration (OSHA) estimates the medical cost of stress to be upward of $300 Billion per year, making it a serious workplace hazard. The medical expenses incurred by employers come in the form of high health insurance premiums, increased absenteeism, and decreased productivity.

In fact, the burden of employing financially stressed employees is shocking. According to a survey by PricewaterhouseCoopers, 97 percent of employees have been impacted by their finances while at work[3]. Such behaviors cost employers an average of $8,875 per employee per year[4].

Additional research indicates that addressing the issue of low financial wellness amongst employees can yield beneficial results.



1-800 CONTACTS

Program Structure

- Kickoff party to introduce program.
- Following the kickoff party, employees attended a five-week personal finance course. Each one-hour session taught employees crucial financial principles in greater depth.
- Each week, participants were held accountable to complete specific assignments.
- Employees were provided with access to an online learning portal as well as hard copy materials to supplement the course.
- Surveyed participants throughout the program to measure their satisfaction with the course and to track behavioral changes and results.

Results

The average employee **moved up** a full letter grade (from a "C" to a "B") when assessed on his or her understanding of money.

87% of employees who attended the kickoff signed up for additional classes.

Before the program, **53%** of participants had an emergency account; **97%** had established one by the end of the five classes.

In just five weeks, the average employee increased personal savings by **$528**.

15% of participants knew their net worth going into the program, versus **80%** at the end of the training.

42% of employees lived by a budget going into the program, rising to **87%** at the end of the five classes.

Of those who started the program with consumer debts, the average participant paid off **$313** in just the first 5 weeks.

44% of employees knew what their credit score was at the start of the classes, while **83%** knew their score in the final class.

ASSESSING FINANCIAL EDUCATION: **PROMISING EVIDENCE FROM BOOT CAMP**

The military administrative data is a repeated cross section and covers all active duty Army soldiers entering service from May 2006-June 2009.

Participants by year:

- **Year 1:** n=82,211
- **Year 2:** n=70,782
- **Year 3:** n=59,609
- **Year 4:** n=44,655

*Since individuals progressively leave the military, samples for years 2-4 are reduced

Cost of course: Approximately $22 per soldier.

Results

- This study estimates the effects of financial education on a variety of economic outcomes using a natural experiment within the U.S. Army.

- I find that Personal Financial Management Course attendance and enrollment assistance doubles retirement savings, with effects that persist through at least two years.

- The course has smaller effects on credit market outcomes, reducing account balances and monthly payments in the first year after soldiers finish initial job training.

- The course has no significant effects on military labor market outcomes. The results suggest that financial education coupled with assistance and advice can affect several financial outcomes.

- I estimate the causal effects of financial education and assistance on several financial outcomes using administrative data surrounding the 2007-2008 roll-out of a financial education program in the U.S. Army.

- I find that course attendance and its coupled enrollment assistance have substantial effects on retirement savings contributions through at least two years.

- To estimate course effects on other financial outcomes, I use individually matched credit bureau data and I find that the course causes moderate reductions in combined account balances and aggregate monthly payments in the first year.

- The course has no significant effects on the probability of having active credit accounts or individuals' credit scores. Finally, the course has no significant effects on adverse employee turnover, current productivity or retention decisions; outcomes of interest to employers considering financial education.

- The observed retirement savings effects are economically significant (50-100%) and endure through at least two years.

CASE STUDIES IN PROMOTING FINANCIAL WELLNESS: **THE PROMISE OF PUBLIC-PRIVATE PARTNERSHIPS**

About

In 2004, the Federal Reserve Bank of Kansas City and Omaha-based United Way of the Midlands (UWM) joined forces to address rising signs of financial stress in the workforce. Staff at the two institutions decided to implement a program based on a wellness model that was designed to be similar to "working with a physical fitness trainer."

The Program

Employees in the area would be offered a personal finance course and access to one-on-one counseling sessions with a certified financial planner. The program would be delivered in the workplace and researchers at the Federal Reserve Bank of Kansas City would study the results.

After an initial pilot, United Way of the Midlands raised $10,000 to launch three test sites in Omaha, Nebraska. Classes began in May 2006. Perhaps the most impressive result is that employers who participated in the pilot program still offer it today.

The principles of the wellness model are awareness, education and behavior change.

Omaha public-private partnership

Employees attended a nine-week classroom course plus and received one year of one-on-one comprehensive financial planning services. The classroom sessions included courses on traditional money management topics such as budgeting and credit, but the sessions also addressed the fears that often motivate or underlie poor financial decisions. As the classroom sessions and financial planning meetings progressed, the instructor and the financial advisor reassured participants that the mistakes they make and the feelings they have about money are normal and to be expected.

QLI

QLI's mission is to serve adults who have suffered a catastrophic injury. It is demanding work that requires a dedicated staff and a long-term commitment. Early on this realization informed QLI's strategy to invest in retaining employees in an industry renowned for high turnover.

"Financial stressors are one of the bigger things that all our staff struggle with in their personal life," says QLI CEO Patricia Kearns. First, the training offered practical, step-by-step methods to address common financial problems. The training materials showed Sheldrick and others how to examine their debt and manage their pocketbooks more effectively. Perhaps most importantly, the training also addressed the emotional concerns that arise when people fall into debt and other financial trouble.

Patricia Kearns says financial wellness training "is one of the most important things we do." It is one reason the company's turnover rate for employees it wants to keep hovers between six and nine percent—a rate much lower than the high turnover rate that is common in the rehabilitation industry. Also, the company doesn't have to pay as much overtime because it is able to retain employees and keep a dependable schedule without the disruptions that come with high staff turnover. QLI finds a lower turnover rate helps keep costs and staffing needs in human resources down as well. Also, the company doesn't have to pay as much overtime, because it is able to retain employees and keep a dependable schedule without the disruptions that come with high staff turnover.

QLI is now in its eighth year of offering the financial wellness program and 70% of the staff has participated.

Nebraska Furniture Mart

"After I got a plan, my finances did not change. But, for first time in my life, I thought there was a light at the end of the tunnel, and I realized the birds were chirping."

NFM says that 200 employees have completed the financial wellness program so far. The company credits the training with reducing 401(k) loans among this population. In addition, the program has been particularly effective in helping employees who work on commission. Since these workers have paychecks that fluctuate, financial training was effective in coming up with ways to better plan for swings in income by transferring a set amount of money to a checking account every month. Counselors also helped employees to set up automatic transfers to implement the cash flow management. Its turnover rate is just 20%, a low figure for the retail industry.

EMC - WHAT CAN WE LEARN FROM CORPORATE FINANCIAL WELLNESS PROGRAMS?

Amid the financial turmoil in 2008, EMC Corporation decided to launch its financial wellness program called WealthLink—an online Financial Wellness portal that provides employees with personalized and action-based tools.

Age 25-34

- Average tenure: only 2.9 years
- View employment as a financial transaction
- No strong commitment to employer
- Strong focus on work - life balance

The primary goal

- To maximize the company's return on investment for the company's benefit programs—both for EMC and its employees.

"We figured we should start with the access and the education first, because we were just not in the financial position where we really could be increasing the overall benefit cost we were providing to employees." -Kevin Close, senior vice president, global compensation, benefits, HRIS and M&A at EMC,

Secondary user-based goals

- Identify their personal financial goals
- Understand how individual decisions affect wealth accumulation
- Understand investment options and principles, as well as tax consequences
- Appreciate the value of employer-provided benefits

Results

Within the first month, about 15% of employees signed up to access WealthLink, and over the next 4 years the participation quadrupled to around 60%.

Actual behaviors seen in financial wellness program users were even more encouraging (keep in mind this data was during the 2008-2009 recession):

- Among WealthLink users, there was no scale back in 401(k) contribution, while 7% of nonusers decreased their contribution.

- 38% of WealthLink users increased their HSA (Health Savings Account) contributions, while there was no change among non-users.

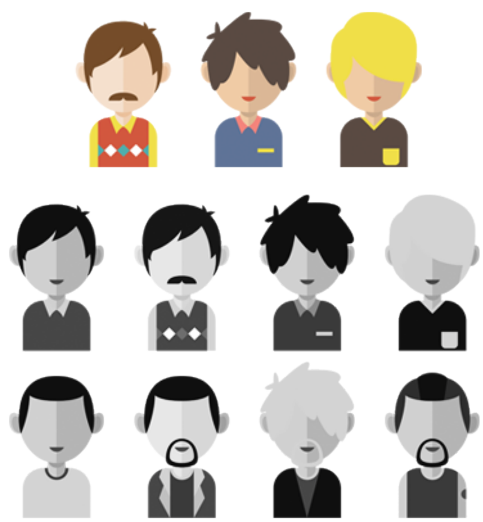
- Among non-users, there was a 20% decrease in the Employee Stock Purchase Plan, but only a 5% decrease among users.

- The Flex Spending Account benefit saw a 17% decrease among non-users, but a 3% increase among WealthLink users.

- The voluntary employee turnover at EMC Corporation was only 2% in 2013, substantially lower than the average voluntary turnover of 10.4% based on data from 40,000 organizations that same year. The replacement cost of hiring and training a new employee is roughly 16-20% of that employee's annual salary, depending on the salary level. According to SalaryList, the median salary at EMC is $82,400, putting the average replacement cost at $13k to $16k per employee. If these numbers are correct, this would mean a savings of over $35 million compared to the average replacement costs for a company that size.

74%

UNENGAGED EMPLOYEES MAKE UP **74%** OF THE AVERAGE COMPANY'S WORKFORCE



CASE STUDY: **AMERICAN EXPRESS**

American Express believes that financial distress negatively impacts productivity. The working hypothesis is "if you have your financial house in order you will be more relaxed, productive and engaged at work. And you have more control over your life." By offering financial advising as a benefit the company is responding to an evident need on the part of employees. The program builds loyalty, retains important personnel and hopefully attracts others. American Express launched its Smart Saving program in 2010 in response to a number of challenges:

Challenges

- Declining participation in company 401(k) plans
- Poor utilization of existing financial services
- Unfulfilled financial needs as assessed by internal surveys

Results

American Express wanted to send the message that financial planning is for everyone, and that it is "quick, easy and free." American Express uses home mailings, telephone interviews and e-mail surveys to evaluate the effect of the program so the company can see what percentage of employees actually take action after having been given information from a financial advisor. The results from the program have been substantial. Since the launch:

- 9% increase in 401(k) participation
- 5% increase in employees who deferred 5% to a retirement savings plan
- 7% increase in calls to the company's financial counseling service
- Participation in financial counseling is now 8-10%

CASE STUDY: **MOUNTAIN AMERICA CREDIT UNION**

354,000-member Mountain America recognized the impact of personal finances on workplace performance and provided a financial wellness program to its 1,025 employees as part of the CU's benefits package.

The Program

The kickoff session (with 800 employees) was rated 9.7 on a scale of 1 to 10, with 10 being the best. Ninety-nine percent of attendees said they would like to receive classes on other financial topics. Approximately 700 employees participated in the five follow-up sessions. This feedback included, again on a scale of 1 to 10, a content satisfaction rating of 8.7 and presenter satisfaction was 8.9; 97 percent said they would recommend the classes to friends or family members.

Mountain America CU employees made significant progress in merely the first five weeks of the program.

Results

- One full grade improvement on knowledge about money (from C to B);
- 98 percent had an emergency account compared to 61 percent at the beginning;
- An average of $550 per participant was saved and for those with no emergency account prior to the class, the average participant saved $722;
- 84 percent knew their net worth compared to 12 percent at the beginning;
- 88 percent lived by a budget, compared to 49 percent at the start—a 79 percent increase;
- 88 percent knew their credit scores, compared to 59 percent at the beginning; and an 11 percent reduction in consumer debt from the beginning to the end of the classes. The average participant paid off $601.

FINANCIAL WELLNESS:
THE NEXT FRONTIER IN WELLNESS PROGRAMS

Prudential, with supporting research and analysis provided by EY, developed Prutection ScoreSM to help employers evaluate the financial wellness needs of their employee populations. For each risk, Prutection ScoreSM gauges how financially prepared employees are should a risk event occur by looking at the resources available to them—personal funds and insurance coverage—relative to the resources needed.

Method

Resources are estimated using employee demographic information, Prudential Financial Wellness Survey data, and various government and industry sources. In developing Prutection ScoreSM, Prudential conducted a Financial Wellness Survey of over 5,000 employees who had medical insurance.

Prudential has developed national benchmark scores for each of the three more immediate risk categories—premature death, illness or injury, and out-of-pocket expenses—that we identify as germane to financial wellness.

The benchmark Prutection ScoresSM indicate that full-time U.S. employees covered by medical insurance are unable to fully cover their exposure to three key risks they face during their working careers:

- Premature Death benchmark score: 71. In the event of loss of income due to premature death, the average employee would be able to cover 71% of ongoing financial needs for a spouse's or partner's lifetime and for children until adulthood.

- Illness/Injury benchmark score: 71. In the event of loss of income due to illness or injury, the average employee's household would be able to pay 71% of their monthly expenses using other income sources, such as spousal or partner income and disability insurance benefits.

- Out-of-Pocket Expenses benchmark score: 48. Faced with out-of-pocket medical and non-medical expenses due to a critical illness or accident, the average employee's household is equipped to cover just 48% of those expenses through liquid savings and insurance coverage.

Results

While about a third of employees in the Prudential Financial Wellness Survey score high—90 or higher—in each risk category, only 4% score above 90 for all three risks, and only 2% have scores of 100 or more for all three. This points to a significant opportunity to improve the financial wellness of American workers.

People typically are not eager to buy products they do not understand or appreciate. Research conducted by the Center for Retirement Research at Boston College and sponsored by Prudential confirms that while many employees do not fully appreciate the benefits provided by life and disability insurance—and hence make suboptimal use of it—education could help them overcome their resistance to it and improve their financial well-being. Among the survey's key findings:

While employees do not think about life insurance very often, they do think about it during key life events such as getting married, having a child, or purchasing a home.

Individuals have a narrow view of life insurance. They view it as a means to pay down current and future debts, but often overlook its ability to help cover their dependents' day-to-day living expenses.

Employees are confused about disability insurance. Specifically, they:

- Underestimate the likelihood of prolonged disability, which they define narrowly as a catastrophic illness or injury resulting from a high-risk occupation or lifestyle.
- Overestimate the level of coverage provided by their safety net, expecting to be fully covered for disability by workers' compensation, short-term disability insurance, or Social Security disability benefits.
- Struggle to evaluate the cost of disability insurance.

Drawing on behavioral finance concepts, the Center for Retirement Research devised and tested various hypothetical interventions that might be used during online enrollment periods to help employees make smarter choices about insurance benefits. Several proved effective, including providing default coverage levels, checklists, personalized estimates, information on monthly income that may be generated from specified coverage levels, and information on the risk of disability.

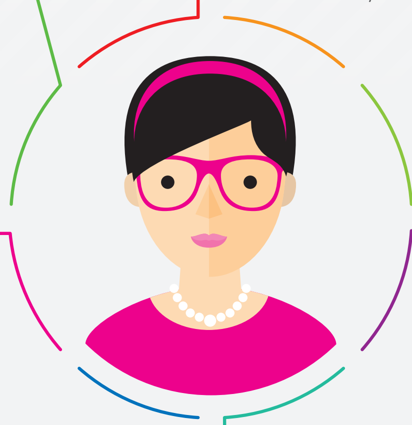
These findings suggest that employers have a real opportunity to help improve their employees' financial health through targeted, needs-based financial wellness programs, which educate employees about the financial risks they face and provide the tools they need to help manage them. Offering a broad array of insurance programs can be an important component of that effort. Life, disability, critical illness, accident, and other insurance programs, paired with medical insurance, can address many of the financial risks employees face every day. To cite just one example, employees whose employers provide disability insurance have an average illness/injury benchmark score of 82, versus just 56 for employees whose employers do not offer that protection.

HOLISTIC FINANCIAL WELLNESS

MENTAL NEEDS

Research shows that high levels of stress contribute to health problems that cause companies to incur costs due to healthcare, productivity loss and absenteeism.

One of the measures companies can take to help alleviate employee stress is to address one of its leading causes: financial problems. By educating employees on the financial options available to them, organizations are able to empower employees to take control of their financial futures and alleviate the stress that arises out of uncertainty.



PHYSICAL NEEDS

According to Maslow's hierarchy, safety and security are the building blocks of social and personal development. Holistic financial education begins with the basics of human needs, including shelter and food, and looks to ensure security in the present and future.

Physical needs vary from one household to the next. A shelter requirement for a family of 6 can be very different from that of a single 25 year old right out of college, though these views may become more aligned in 5 or 10 years. When these needs are addressed, employees will find a course of study that is relevant to their lifestyle and works toward their goals.

EMOTIONAL NEEDS

Financial pressures are stressful by their own right, but they intersect with other areas of personal life. Family life, marriage, worldview and social life are intimately connected with a person's financial state--financial issues being one of the most cited reasons for divorce and family strife.

Emotional turmoil related to these areas contributes to absenteeism and turnover, which shifts the burden of daily operations onto other members. This shift has the potential to increase burn-out and absenteeism, further exacerbating the problem.

Providing a platform for employees to secure their financial well being not only improves their quality of life, but it allows them to shelter others from the problems that arise out of a lack of financial awareness.

SPIRITUAL NEEDS

People are motivated to wake up and show up to work for countless reasons. For some it is access to a social standing, for others it can be to fulfill a passion, but at the end of the day it's the check that can put food on the table and a roof over our heads.

With so pragmatic a motivation, it is easy to lose sight of the other aspects that inform our decisions to clock in. Humans are constantly looking for meaning and purpose, and we are blessed with a desire to belong to a community.

Employees are not just looking to provide for themselves, they are looking to provide for their families. Communities of like minded individuals, whether peer or expert, embed members in a social structure that is built with their success in mind. In these social spaces, questions can be addressed, like in the Enrich forum or live Q&A sessions, or webinars addressing different topics.

Enrich.org FINANCIAL WELLNESS

WORKPLACE FINANCIAL EDUCATION IMPROVES PERSONAL FINANCIAL WELLNESS

Methodology and Statistical Analysis

The data was collected with a mail survey questionnaire. This questionnaire was created by the staff of Virginia Tech's Personal Finance Employee Education outreach effort and other Virginia Tech faculty with input from representatives of the company sponsoring the research and their financial education provider. This study was conducted at a facility in the southeast, one of several plants owned by the company.

A cover letter that introduced the research, identified the confidential nature of the research, and expressed the need for participation was placed in a business letter envelope along with the survey instrument and a return envelope. The package was mailed to the home addresses of all 300 employees who worked at the selected site. Ten days after the initial instrument was mailed, a thankyou-and-reminder postcard was mailed to all workers. Three weeks after the initial mailing, a letter and a replacement questionnaire were sent to all workers, including those who had already responded. The letter encouraged all workers who had not yet responded to complete and return the survey. Questionnaires were mailed back to the researchers, not the employer, to assure confidentiality.

As an incentive to participate, two $100 prizes were provided. One prize was for those who participated in the financial education workshops, and one was for those who did not participate. This technique was utilized to help increase the overall return rate as well as obtain a satisfactory return from workers who had not participated in previously offered workshops.

The questionnaire asked workers the title of the financial education workshops in which they had participated in the past and their reasons for participation. The workers also were asked what changes in their personal finances resulted from the education. Workers who did not attend financial education programs were asked why they did not participate. All workers were asked what additional financial education was desired, if any. The questionnaire also sought information on financial well-being, financial behavior and attitudes, financial stress, and self-reported measures of workplace productivity.

The t-test, analysis of variance, and chi-square statistical tests were utilized to examine the data. The standard for the statistical level of significance was established at or beyond the 0.05 level.

Demographics

- The majority of the respondents (92%) were male.
- Three-quarters of the respondents were married (76%) while 14% were single.
- Three-quarters had education beyond the high school diploma.
- The workers were primarily white (91%), and 87% reported a household income of $50,000 or greater.
- About half of the workers (49%) lived in a three or four-person household.
- The median age of the workers was 43.

Results

There were 181 responses to the 300 surveys, for a response rate of 60%.
Of the 178 usable questionnaires, 100 (56%) respondents attended one or more of the workplace financial education workshops. Seventy-eight (44%) had not participated in the financial education workshops.

Financial satisfaction in relation to participation of workplace financial education seminars

Financial satisfaction	Participants	Non-participants	t
I am satisfied with the amount of money that I am able to save	2.32	2.60	1.99*
I have difficulty living on my income	3.14	3.00	-1.10
I worry about being able to pay monthly living expenses	3.44	3.13	-2.54*
I worry about how much money I owe	3.34	2.91	-3.20**
I feel confident about saving for a comfortable retirement	2.00	2.29	2.08*
I think I will have enough income to live comfortably throughout retirement	2.06	2.29	1.77

* $p<0.05$, ** $p<0.01$, *** $p<0.001$

Notes: Means are provided with a 4-point scale of 1 given to “strongly agree,” 2 to “tend to agree,” 3 to “tend to disagree,” and 4 to “strongly disagree.”

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Personal financial behaviors in relation to participation of workplace financial education seminars

Personal financial behaviors	Participants	Non-participants	t
I set money aside for savings	3.34	3.04	-2.10*
I set money aside for retirement	3.68	3.32	-2.59*
I had a plan to reach my financial goals	2.95	2.68	-1.79
I had a weekly or monthly budget that I followed	2.31	2.05	-1.60
I kept spending records to check	2.47	2.32	-0.84
I paid credit card bills in full and avoided finance charges	3.03	2.92	-0.66
I reached the maximum limit on a credit card	1.09	1.24	2.38*
I had to cut living expenses	1.36	1.60	2.67*
I had to use a credit card because I did not have money in the bank or cash available	1.29	1.44	1.84

* $p<0.05$, ** $p<0.01$, *** $p<0.001$

Notes: Means are provided with a 4-point scale of 1 given to "never," 2 to "sometimes," 3 to "usually," and 4 to "always."

Personal financial behavior changes of workshop participants

Begavios (n=100)	Agree Freq. (%)	Disagree Freq. (%)	NA Freq. (%)
Since the financial education, I have made better financial decisions. (n=99)	74 (74.8)	17 (18.2)	7 (7.1)
Because of the financial education, I am more confident when making investment decisions.	75 (75)	20 (20)	5 (5)
I changed my investment strategy by diversifying or being more aggressive in my choices.	70 (70)	24 (24)	9 (9)
Due to the financial education, I increased the amount of my retirement contribution.	45 (45)	20 (20)	43 (43)
Due to the financial education, I started contributing to the 401(k) retirement plan.	34 (34)	25 (25)	41 (41)

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