



How **Financial Wellness** Programs Lower Costs, **Bolster Productivity**, and Create **Higher Employee Morale**.

How does the stress of family, relationships, jobs and finances affect the “health epidemic of the 21st century?”

What is the leading cause of employee stress and turnover?

Personal Finances.

Research shows that 45% of employees feel personal finances cause more stress than their jobs, health and relationships COMBINED.² The statistics are staggering



77%₃

**of Americans live
paycheck to
paycheck**

64%₄

**of Americans
cannot cover a
\$1000 emergency**

52%₅

**of Employees
have less than
\$10,000 saved
for retirement**

24%₆

**take home pay is
on consumer debt
payments.**

The Consequences of Low Financial Literacy

As An Employer

As an employer, you may be wondering what this has to do with you.

Unfortunately, quite a bit.

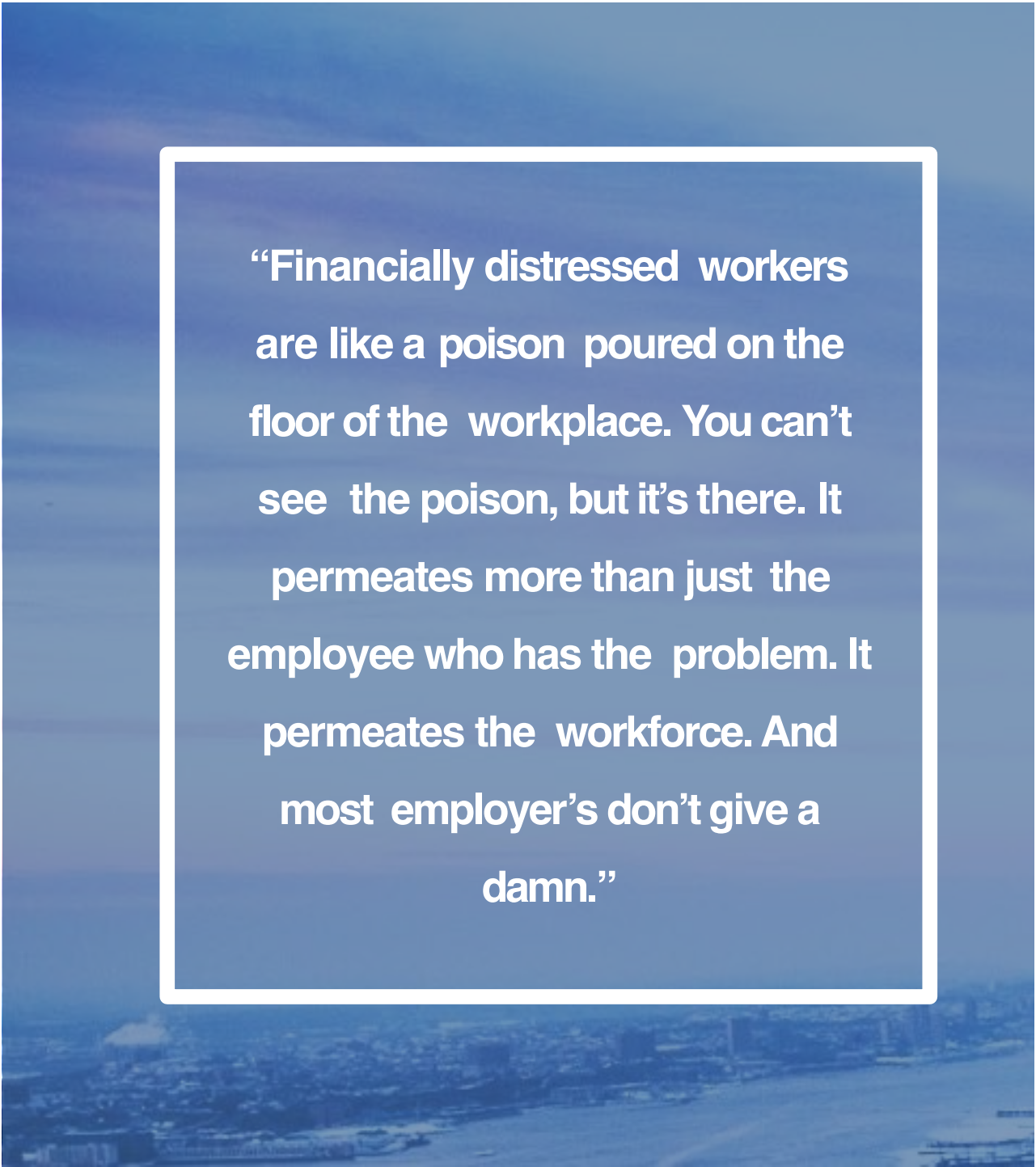
A financially stressed out worker costs you precious cash flow and weak productivity. The vast majority of employees are uneducated and untrained on basic money management issues. They are unable to effectively manage the risks present in securing retirement and healthcare.

The implementation of a Financial Wellness program increases financial literacy and better enables employees to navigate the funding and execution of their retirement and healthcare needs, while teaching the basics of budgeting and debt reduction.

A custom designed Financial Wellness program can bridge the gap between employer funded benefits and an employee's accepting the financial responsibility placed upon them. This will naturally create lower stress, increased productivity, and increase your company's profitability.

Tom Garman, one of the leading experts on employee debt at Virginia Tech has studied how employee's financial concerns effect their companies. He says, "Financially distressed workers are like a poison poured on the floor of the workplace. You can't see the poison, but it's there. It permeates more than just the employee who has the problem. It permeates the workforce. And most employers don't give a damn."⁷

There's more to the pain (and solution) to this unseen cancer...



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The Consequences of Low Financial Literacy



Financial stress in the workplace impacts profitability.



Lack of financial knowledge among employees leads to delayed retirement.



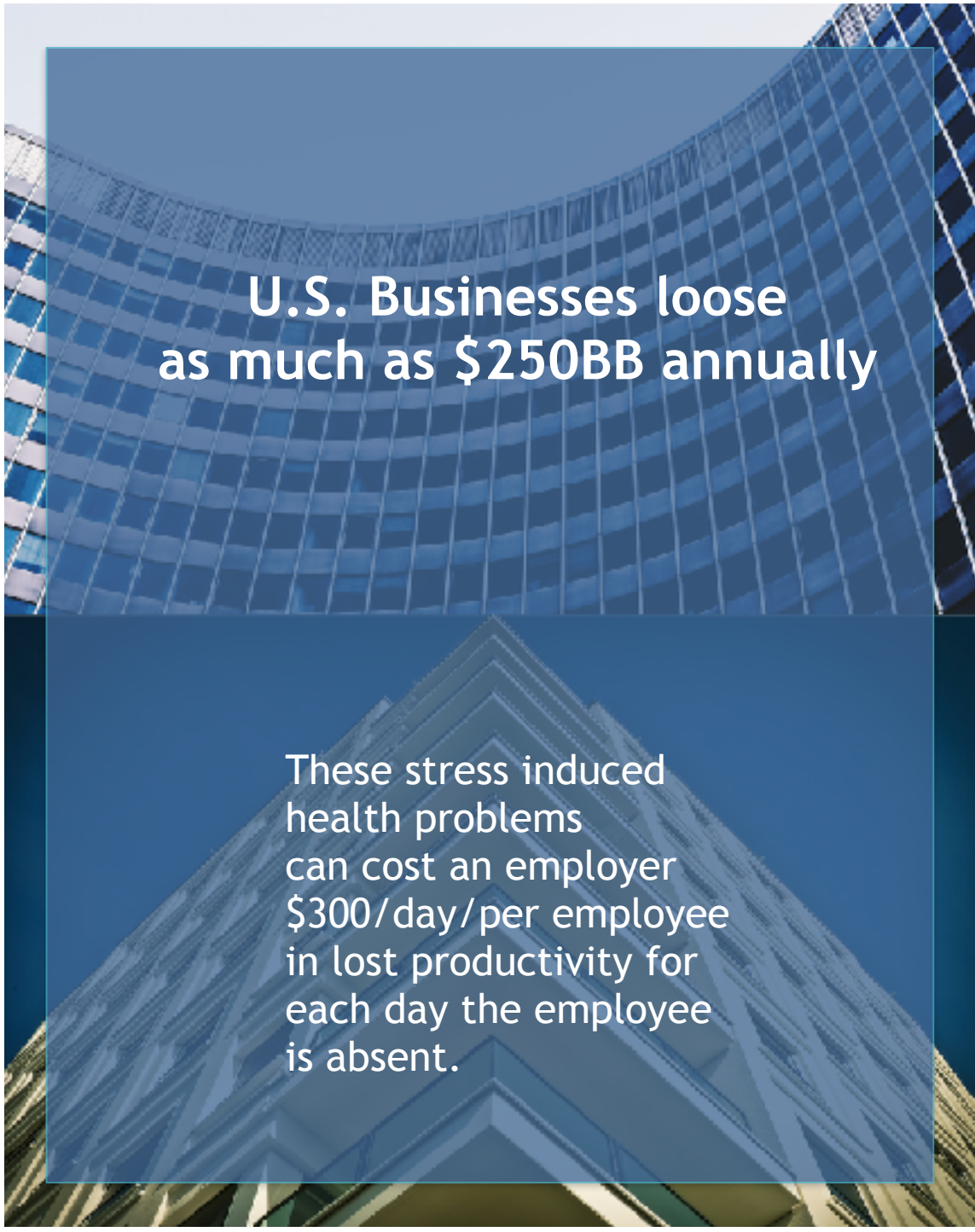
Prevents recruiting and keeping top talent.



Existing employee benefits not optimized

Unbiased Financial Education through coaching, plan development and inspirational content.

1. AonHewitt “Hot Topics In Retirement” 2015
2. Prudential Wellness “Unlock the Power of the Wellness Effect” 2016
3. 77% of All Americans Live Paycheck to Paycheck at Least Part of the Time” Michael Snyder, August 17, 2012
4. MarketWatch 2015
5. AonHewitt “Hot Topics In Retirement” 2015 6 Ibid
7. Tom Garman, Questia “It’s Their Debt, but It’s Your Problem” Todd Rafael



**U.S. Businesses loose
as much as \$250BB annually**

**These stress induced
health problems
can cost an employer
\$300/day/per employee
in lost productivity for
each day the employee
is absent.**

1. Stress in the Work Force

FINANCIAL STRESS IN THE WORKFORCE IMPACTS PROFITABILITY.

It is estimated that employees may be spending as much as 13 hours of work time each week worrying about money related issues.⁸ Of these employees, 53% of them feel so stressed about financial matters that they admit it interferes with their ability to focus and be productive at work.⁹

They simply are not doing what they are paid to do.

A great majority of employees worry about how they are going to pay their bills each month, dealing with banks about bouncing a check, and having those embarrassing conversations with collectors.

This type of financial stress unmistakably lowers productivity. U.S. businesses lose as much as \$250BB annually.¹⁰ Some research indicates this can cost on average up to \$7,000/employee/year.¹¹

In addition to productivity costs, this financial stress can lead to health problems spilling over into higher healthcare costs. Studies have shown that people with higher debt levels tend to have a higher proclivity towards ulcers, digestive tract problems, migraines, severe anxiety and depression and heart attacks.¹² According to Dr. Garman, these stress induced health problems can cost an employer “Approximately \$300/day/employee in lost productivity for each day an employee is absent. If alcohol and drug abuse are in the picture it may cost employers up to 10% of their total payroll costs.”¹³

LACK OF FINANCIAL KNOWLEDGE AMONG EMPLOYEES LEADS TO DELAYED RETIREMENT

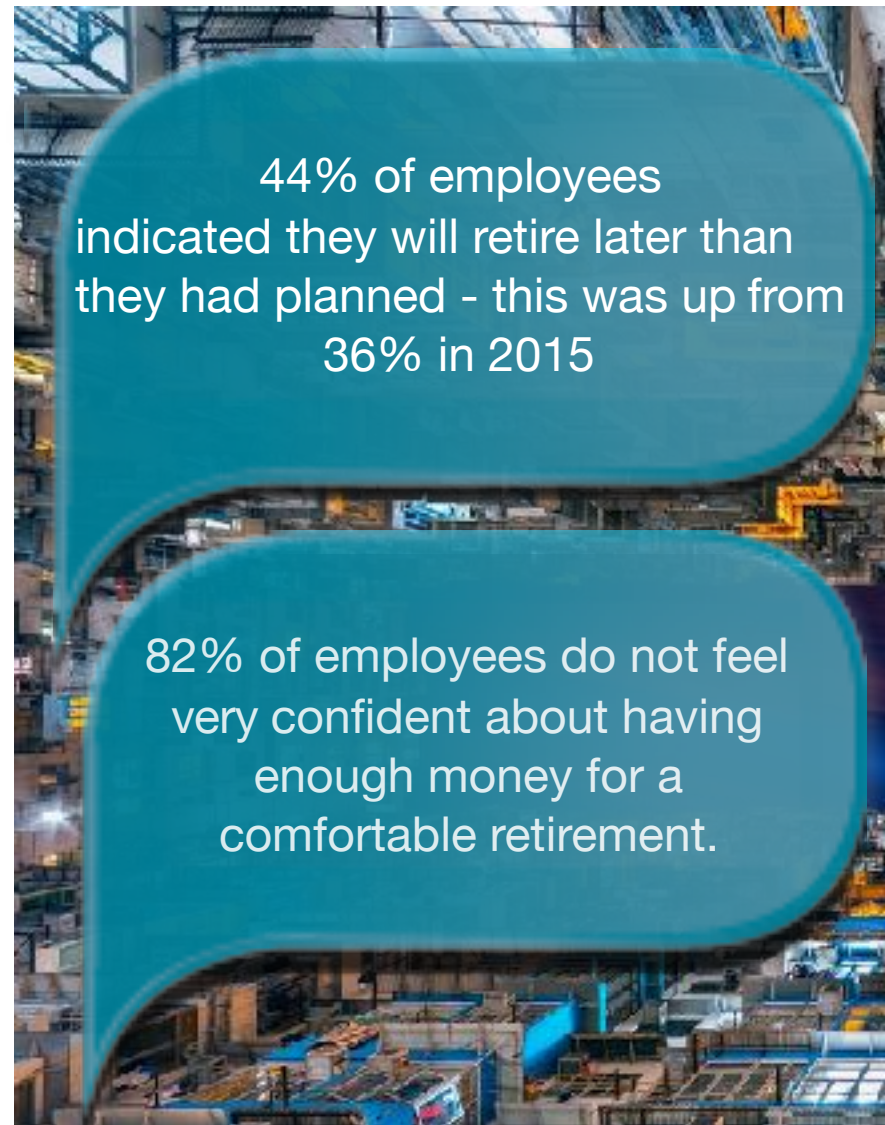
The past three decades have seen a gradual - yet enormous shift - in the responsibility of funding retirement and healthcare from the employer to the employee. Slowly, we have witnessed the demise of the defined benefit plan (pensions) and a move to defined contribution plans (401-K).

Between 1975 and 2014, the number of pension plans declined 55% while the number of defined contribution plans increased 709%!¹⁴ The structural change in the mechanism for retirement savings and lack of strategy to handle the new environment has caused employees to realize they do not have enough saved for retirement.

While a generous stock market has helped retirement accounts recently, employees are more and more wondering how they will fund their retirement needs. In addition to the change in retirement funding, employees have seen an increase in the burden of paying for their healthcare. Many health plans are moving towards consumer driven solutions:

86% of employers in 2016 were considering this switch, and 33% will make it the only option for employees.¹⁵

As a result of the changes to retirement and healthcare planning, employees are shouldering a greater burden of their financial needs, creating increased stress and financial risk.



2.Delayed Retirement

Since the early 1980's retirement savings has declined from less than 7% to just over 5% of private wages.¹⁶

This decrease is a direct result of the shift from DBP to DCP,

“On balance, the decline in defined benefit plan accruals has not been fully offset by the rising contributions to defined contribution plans, leading to a slight overall decline in retirement savings.¹⁷”

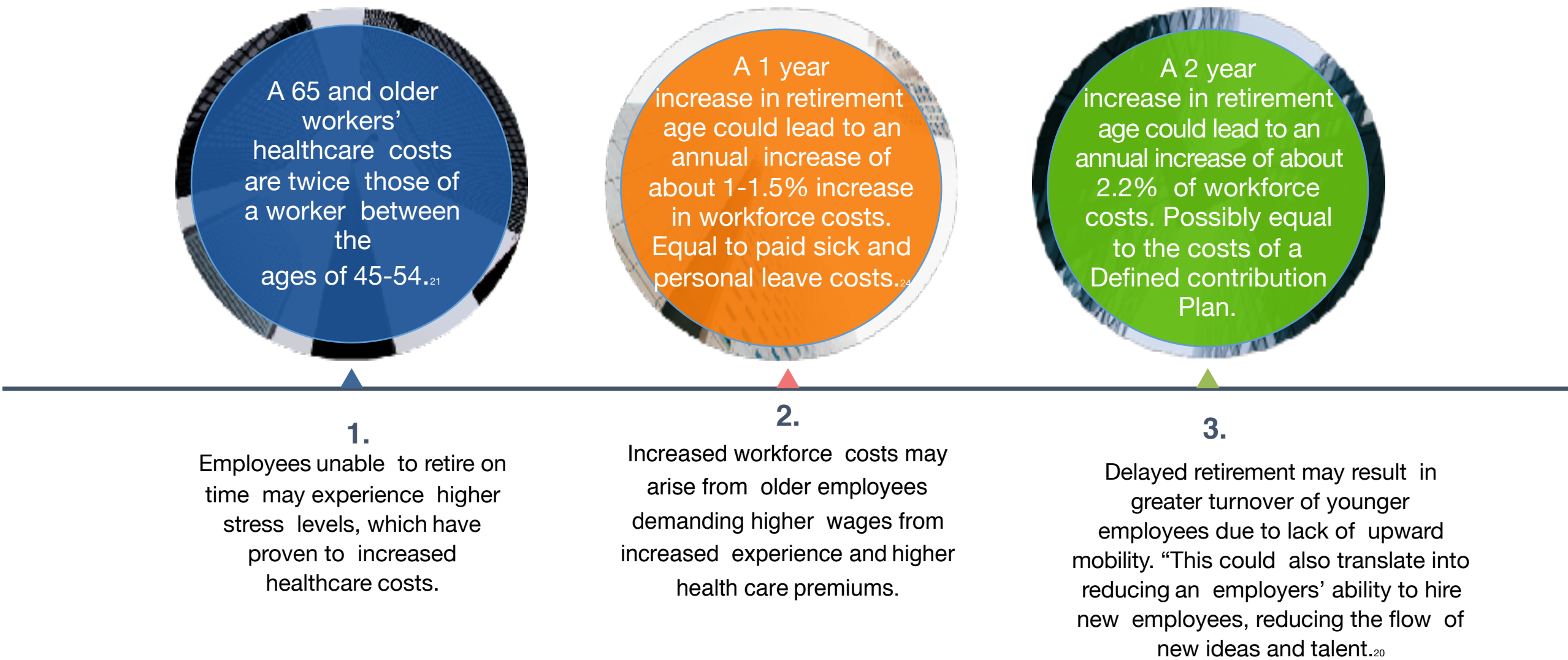
At the same time, as employees focus on retirement savings, they are experiencing new financial stress including high college costs, healthcare, and aging parents.

Employees have been left to manage the risks of their financial future and are ill-equipped and unprepared for the responsibility.

The shift away from defined benefit plans, the increase in retirement age for Social Security, and the inability to save adequately for retirement is pushing back retirement dates.

In a recent study, 44% of employees indicated they will retire later than they had planned - this was up from 36% in 2015 82% of employees do not feel very confident about having enough money for a comfortable retirement.¹⁹

2. Delayed Retirement



Financial Wellness Programs help keep and recruit top talent.

“Financial stress has a clear cost to the employers and the survey shows offering a financial wellness program has both tangible and intangible rewards for employers looking to differentiate their brand, improve the engagement of their people, and add to the bottom line in terms of enhanced productivity.”

16 Center for Retirement Research at Boston College
2015 17 Ibid

18 PWC “Employee Financial Wellness Survey
2017” 19 Prudential Financial Wellness Report
2016

20Ibid

21Prudential Research, Employee Benefit Research Institute, the 2014 Retirement Confidence Survey: Confidence
Rebounds - for Those With Retirement Plans. March 2014

22 PWC “Employee Financial Wellness Survey 2016” Results with supporting research and analysis from the
University of Connecticut’s Goldenson Center for Actuarial Research.

3. Prevents Recruiting and Keeping Top Talent

LACK OF WORKFORCE FINANCIAL LITERACY PROGRAMS PREVENTS RECRUITING AND KEEPING TOP TALENT

81%

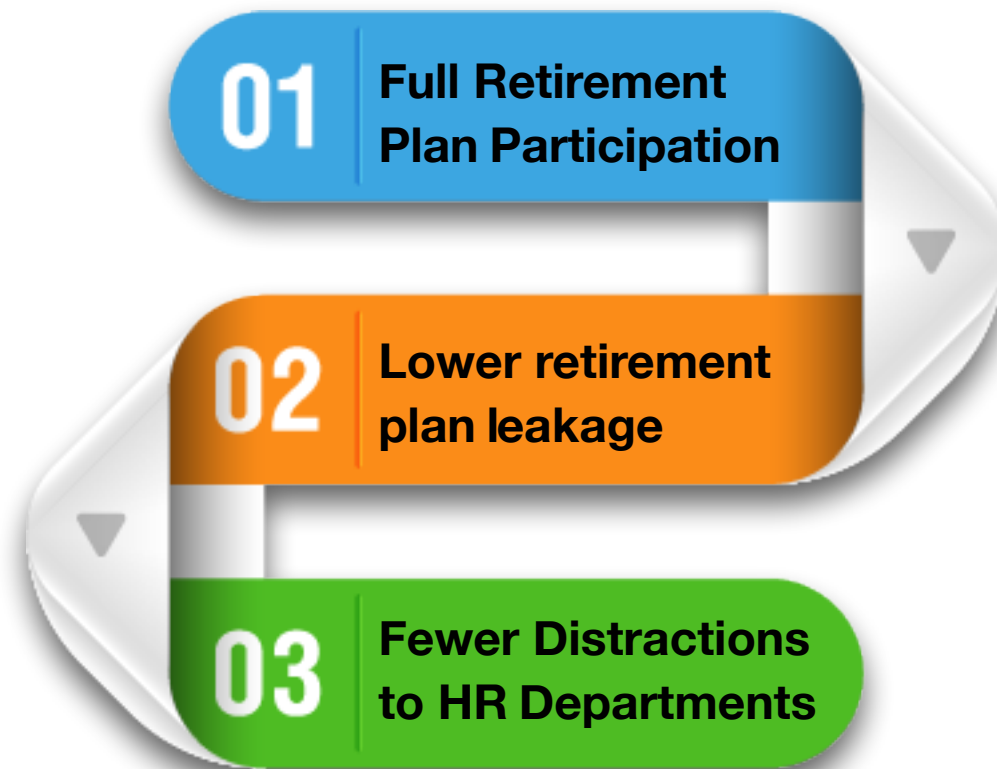
Believe that a Financial Wellness program will reduce their stress.

A recent survey stated that 81% of employees believe Financial Wellness programs will reduce their financial stress.²⁵

80%

Employees stated financial wellness programs are important.

80% of surveyed employees stated that Financial Wellness programs are important and that they would choose a company that offered them over one that did not.²⁶



Financial Wellness programs help to optimize existing employee benefits. Many times there exists a gulf between existing benefits and the knowledge on how to properly maximize these benefits. 83% of employees say their benefits are critical to their financial security, yet more than half of these employees say they need help understanding how to use them.²⁷ Financial Wellness programs can step in and bridge this gap between existing financial benefits and the knowledge on how to participate and maximize utilization of them.

By using an unbiased financial wellness programs (those that do not sell any products), employers may compliment existing benefits and realize three benefits:

Full participation in retirement programs results in employees who can retire on time

One in four employees do not save enough in their 401-K's to receive the full employer match - forgoing \$24BB in retirement savings nationally each year. For those who have been educated on the benefits of retirement programs, the average contribution rate was 7.2% vs. 5.8% for those uneducated on the power of retirement programs.²⁹

Lower Retirement plan leakage

When employees borrow from their retirement plan (plan leakage) they halt the power of compounding, lower their take home pay (as part of the repayment plan) and increase the difficulty of achieving their retirement goals. When a financial wellness program is in effect, employees are educated how to budget, and save for emergencies. This reduces the need to dip into retirement plans to meet life's emergencies.

In 2012 employees withdrew \$70B from retirement accounts prior to retirement age. Over \$60B of those funds were subject to early withdrawal penalties.

However, among companies providing financial wellness programs, the percentage of employees who reported having taken a retirement plan loan or hardship withdrawal declined from 30% in 2013 and 23% in 2015.³⁰

Fewer distractions to HR Departments

Handling the processing of 401-K loans and establishing loan repayment are time consuming. Other costs to HR Departments from underutilization of benefits include helping employees fill out bankruptcy claims, processing wage garnishments, and advanced wage payments. Financially stressed employees are a productivity drain to the company - and also to fellow workers. Dr. Garman estimates the cost of these distractions add nearly 10% to an annual HR budget.



Dr. E.Thomas Garman estimates employer’s can expect a return of \$3 or more on each \$1 spent on the program.

30 Hello Wallet, "The Retirement Breach in Defined Contribution Plans", January 2013
Financial Finesse Think Tank Research, "Year in Review, 2015"
31 "Employee Financial Stress is Costing Your Company a Bundle - And How You Can Stop It Now!" Dr. E.Thomas Garman Virginia Tech University
32 "Corporate Wellness Magazine, Why Employers Should Care About Their Employees' Financial Wellness," Corporate Wellness January 29, 2014

Return on Investment in the Program

1,000 Employees	Year 1	Year 2	Year 3	Year 4	Year 5
Employer FICA Savings from HSA & FSA Participation	30,600	61,200	91,800	122,400	153,000
Employee Engagement Savings	800,000	1,600,00	2,400,000	3,200,000	4,000,000
Timely Retirement Savings	596,000	1,192,000	4,279,800	5,706,400	2,980,000
Total ROI	1,426,600	2,853,200	4,279,800	5,706,400	7,133,00

Despite the many, resources available to teach financial literacy (internet blogs, webinars, research papers, etc....) financial knowledge has not effectively reached and empowered the American workforce.

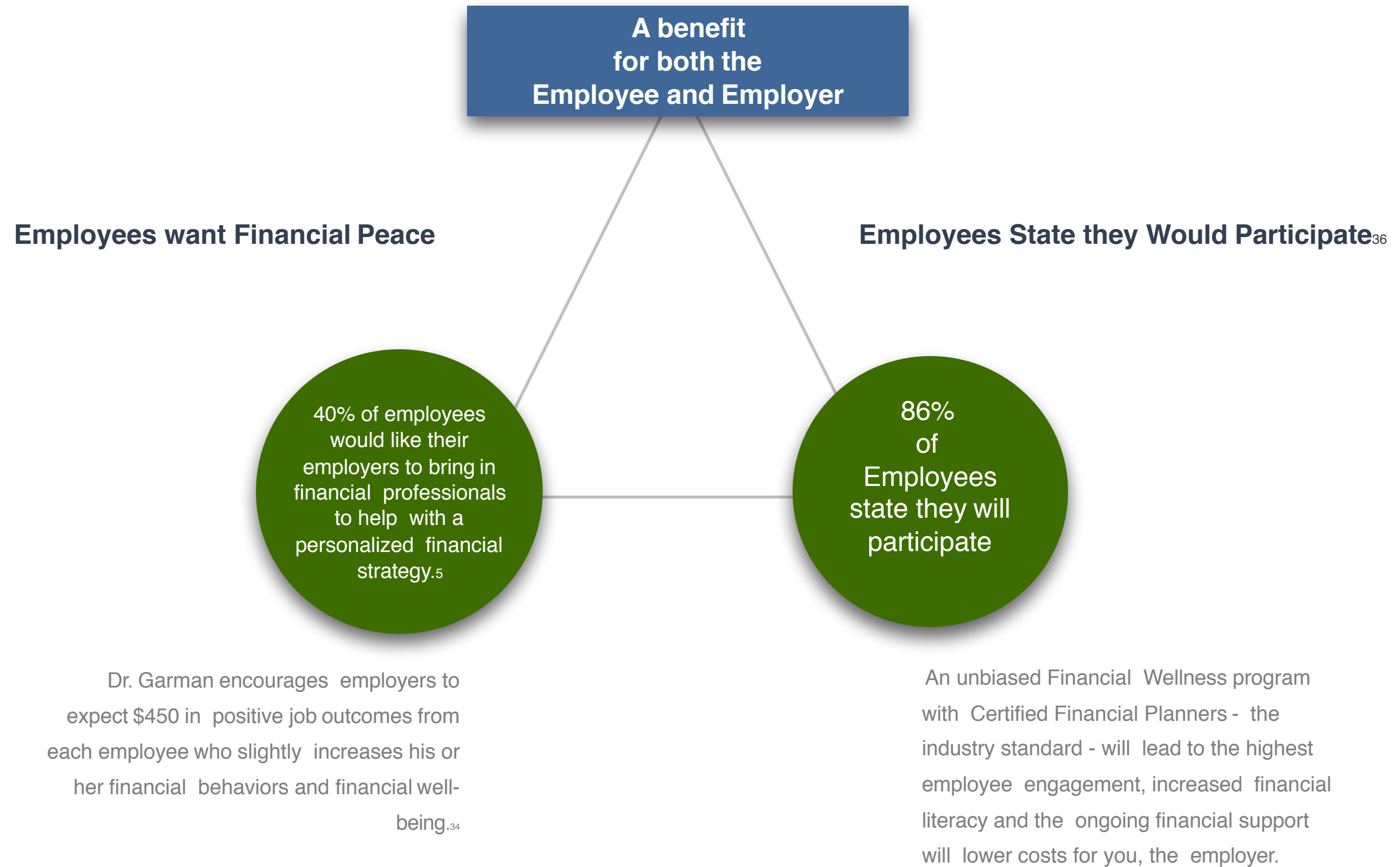
Most Americans were never taught how to manage money. They may have been taught how to balance a checkbook, but they were never given the tools needed to meet long term savings and financial wellness.

Americans are bombarded by a culture of consumerism that has created financial insecurity. Retirement has been underfunded at the same time high healthcare costs loom. Implementing a Financial Wellness program can step in and help direct employees to healthy financial habits. Not only is it the right thing to do for your employees, but research suggests a measurable Return on Investment in such programs.

Garman, suggests employers can expect a return of \$3 on each \$1 spent on a properly executed financial wellness program. Dr. Paul Squires, President of Applied Skills and Knowledge, has developed a formula for calculating what your company could expect by implementing a program. He sums the numbers from three different variables:

Employer FICA Savings from HSA and FSA Participation per employee
Employer Engagement Savings per employee - simply calculated by using the unwritten rule that for every 100 employees on the payroll, your company loses 22.5 days of productivity per year due to financial stress - multiplied by your company’s number of employees.

Timely Retirement Savings - the calculation assuming all your employees retire on time. After totaling these three numbers simply subtract the cost of the program to obtain ROI.





<http://RKFinancialWellness.com>



Offering employees a Financial Wellness program is not only the right thing to do (as stated above), but, also the right thing to do for your bottom line. One large public company reported an annual savings of 21.57% on healthcare costs for employees who were committed to and frequently used the financial wellness benefit.³³ Employees who experience financial peace and encouragement and the tools required to achieve it from employers are better employees. They will experience the freedom to engage in their work without distractions clouding their thoughts. An unbiased Financial Wellness program with Certified Financial Planners - the industry standard - will lead to the highest employee engagement, increased financial literacy and the ongoing financial support will lower costs for you, the employer.

Let's work together to increase the financial peace of your employees and pass down to the next generation strong financial literacy habits.

³³ "Financial Wellness Landscape Analysis: An Overview of the Need for Workplace-Based Financial Wellness Programs" ING US. ³⁴ "Winning the Lottery Is the Most Practical Way to Fund Retirement" March 3, 2013 Wealth Effect Blogger
³⁵ BofA Merrill Lynch 2017 Workplace Benefits Survey
³⁵ Ibid

Were ready to hear from you.
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