



# Money Smarts:

Helping Employees Make the Grade

A Purchasing Power White Paper

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## What's Inside

- Why financial literacy is an urgent concern
- What a financial education program includes
- How to incorporate it into your benefits package

## Introduction

The world of personal finance can be confusing. For some employees, it's a living- paycheck-to-paycheck world, often struggling to meet household expenses and being able to save money for emergencies. For others, it's concern about funding their children's college education or retirement planning and their financial future. Either way, it's stressful to employees and it's affecting their work performance when they bring their financial issues and distractions to work. Their financial stress becomes the employer's problem as well.

What's the solution? Financial wellness education. Employers can help their employees with short-term and long-term financial issues, as well as with changing the course of their financial behavior so they make better financial decisions going forward.

This white paper explores the impact financially-stressed employees have on their company and the need for a financial wellness education program. It examines the employer's role and outlines the elements of a successful financial wellness education initiative.





## Financial Wellness Education Defined

SHRM defines financial education as any workplace initiative, program or resource designed to provide employees with information on how to manage their resources effectively for a lifetime of financial well-being.<sup>9</sup>

Financial wellness education is more than benefits education and setting up a retirement plan. It goes farther, helping employees be smart about their money – how they spend it and how they save it – so they have financial well-being now (or are working toward it) and in the future.

Financial wellness is defined uniquely and differently by each employee, as each household has different priorities and financial obligations. The broad definition of financial wellness is the ability of each employee to manage their finances for short-term needs while saving for mid- and long-term goals. The financial wellness education program that employers implement should offer a variety of options that help employees choose the information important to them.<sup>10</sup>

Employees look to their employers for assistance with their financial well-being. Nearly six in 10 employees (58 percent) want guidance planning their financial lives, and look to their employers for assistance in pursuing their financial wellness.<sup>11</sup> In turn, employers believe that providing financial wellness tools for their employees leads to a more satisfied and productive workforce. They believe that workers who take better control of their financial situations are more satisfied, loyal, engaged and productive.<sup>12</sup>



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## The Employers' Role

Many employers already provide wellness and employee assistance programs alongside other benefits to support their employees' overall quality of life. However, those programs don't always address the complexities of each employee's financial situation. Employers not only need to prepare employees for their financial future, but also provide tools to get them on the path to financial wellness today.



Fifty-eight (58) percent of employees look to their employers for more help in achieving financial security through employee benefits.<sup>13</sup> But they want more than insurance benefits and retirement programs. They want access to financial education resources, financial coaching, ways to understand, build and monitor their credit, budgeting information, and more.

### **There's a gap between what's needed and what's offered.**

According to SHRM, only slightly more than half of companies (57 percent) say they are offering financial education to their employees. Interestingly, non-profit organizations are more likely than privately-owned for-profit companies to offer this benefit to their employees.<sup>14</sup>

However, there are challenges that organizations face in providing financial education to their employees. According to the SHRM study, 25 percent of organizations reported facing obstacles in providing financial education. The greatest challenges among organizations that offer financial education to their employees are the cost (33 percent) and the lack of interest among staff (28 percent).





## Elements of a Successful Financial Wellness Education Program

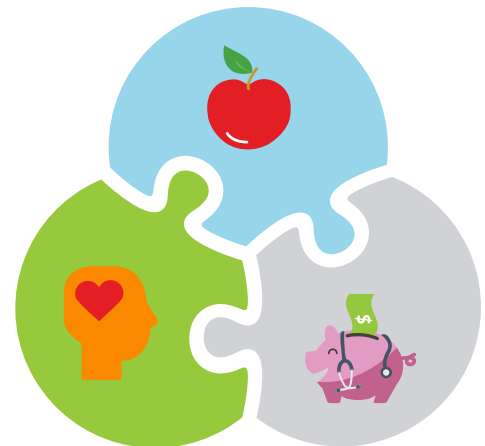
The goal of financial wellness education programs is to change behavior to address short-term needs and plan for the future. To be successful, the programs that employers implement must be able to be customized for each employee's situation.

To build a financial wellness education initiative into the employee benefits program employers can construct it themselves, making various online tools and resources available to employees, or utilize non-profit organizations, consulting firms, or other company offerings to provide services which include online education and more.

Either way, the first step must always involve some sort of financial assessment for the individual employee which would include outlining their current financial situation, identifying areas for improvement and prioritizing action steps. Setting goals and implementing actions for their specific situation are the roadmap for success in changing their behaviors.

### Among the numerous topics covered in financial wellness education programs are:

- Budgeting;
- Basic financial management;
- Paying off debt;
- Methods for saving;
- Funding college education;
- Monitoring and building credit scores;
- Setting up an emergency fund; and
- Investing for the future.



Additionally, some companies provide one-on-one financial counseling and coaching services through outside consultants.

One of the best practices in financial wellness education is getting employees engaged through rewards and incentives at various stages of the program.

## Financial Wellness Education Initiative Results

Companies that offer financial wellness education programs see the benefits from it in a number of ways. The SHRM study found that 72 percent of HR professionals who had implemented a financial education initiative found it very or somewhat effective in improving their employees' financial wellness.<sup>17</sup>

Organizations that have offered financial education for longer periods of time generally have less stressed, more financially savvy employees who are also better prepared for retirement. Organizations not offering financial education are more likely to regard their employee populations as highly stressed, not financially savvy and not well prepared for retirement compared with organizations that provide financial education. Compared with organizations not experiencing success with financial education, those realizing success are more likely to provide education on a greater number of topics and formats and, among other things, customize education for different employee groups.<sup>18</sup>

## Summary

Employers have to address the workday impact of their employees' financial stress by providing them with education to help prevent major financial issues, change the course of their financial decisions and improve their financial wellness.

Some industry experts predict that financial wellness is the next big trend in 2015. Worksite wellness is expanding beyond physical health to include a financial wellness component, helping employees ease economic stress, overcome money challenges and promote financial health.<sup>19</sup>

It's time for employers to take a more active role in their employees' financial wellness.

## About Purchasing Power

Purchasing Power is one of the fastest-growing voluntary benefit companies in the industry, offering a leading employee purchase program. Purchasing Power is available to 7.6 million people through large companies – including Fortune 100s – and government agencies. The company was honored for "World Class Service" by Smart Business, recognized as one of the fastest-growing companies for seven years on the Inc 500/5000, and is one of "Atlanta's Best and Brightest Companies to Work For." Headquartered in Atlanta, Purchasing Power is 'Powering People to a Better Life™' through its employee purchase program, financial literacy efforts and charitable contributions. Purchasing Power is a Rockbridge Growth Equity, LLC Company. For more information, visit [www.PurchasingPower.com](http://www.PurchasingPower.com).

## References

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### Methodology

The 2014 Harris Poll survey on behalf of Purchasing Power, LLC, was conducted online within the U.S. from December 15-17, among 2,016 adults ages 18 and older. This online survey is not based on a probability sample and, therefore, no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables, please contact Reva Harris at rharris@purchasingpower.com



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