How do you know if financial wellness is paying off for you and your people?

Understanding the ROI of employee financial wellness

The better the question. The better the answer.
The better the world works.

Building a better working world

30%

of employees said they think about personal finances while on the job

Is your financial wellness benefit paying off for you and your people?

Your employees are juggling multiple challenges. No matter what stage of life they're in, financial stressors often top the list. Student loans and other debts bog down millennials who are just getting started. Members of Generation X may be in the prime of their careers, but are pinched caring for children and aging parents. Baby boomers are preparing for retirement.

It's safe to assume they don't leave those concerns at the door. Of those who responded to the Employee Benefit Research Institute's (EBRI) 2017 Retirement Confidence Survey, 30% said they think about personal finances while on the job.[1] More than half of them said they would be more productive without such worries.[2]

These distractions will cost you, the employer. According to the Society of Human Resource Management, 83% of human resource professionals say financial stress in employees negatively impacted work performance. Beyond the inability to focus, financial challenges contribute to absenteeism, strain morale, impact physical health and lead to turnover. Employer-sponsored financial wellness programs help alleviate these conditions.

An EY poll of human resource professionals[3] indicated that 86% of the polled organizations of a financial wellness program. Offerings range from technology-only applications and free materials from 401(k) administrators, to comprehensive programs that include financial counselors.

But, as more companies add financial wellness to their suite of benefits, one question persists: How do you know whether it's paying off for the company?

Organizations expect the return on investment (ROI) to justify the expense. When it comes to financial wellness programs, calculating that figure is not an exact science. A better barometer, and one which indicates employees value the benefit enough to use it, is employee engagement.

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Encouraging engagement starts with a holistic, integrated program and a coordinated communications effort to inspire participation. Your employees are pressed for time, or they may not know that you offer a financial wellness program. If they do, they still may not know how to begin.

It's important to not just offer a program, but to provide a road map that will enhance their knowledge about a broad range of financial topics, and empower them to take the necessary steps toward financial wellness.

When employees understand and capitalize on these benefits, it inspires healthier financial behaviors and gives them the confidence to take charge of their circumstances. Improved productivity, personal health and company loyalty may follow, making a positive impact on the employee's life and the organization's bottom line.

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[1] Lisa Greenwald, Craig Copeland, and Jack VanDerhei, "The 2017 Retirement Confidence Survey – Many Workers Lack Retirement Confidence and Feel Stressed About Retirement Preparations," EBRI Issue Brief, No. 431 (March 21, 2017).

[2] Ibid.

[3] EY surveyed 200 HR professionals in a variety of roles, from general employees to C-level executives. The respondents represented 18 different fields, with the majority working in manufacturing, IT, health care and education service industries.

Financial wellness

fi·nan·cial well·ness

[fi-nan-shuh l] [wel-nis]

noun

1. an individual's ability to make confident, well-informed money-related decisions resulting in financial security for both the short and long term.

2. represents an important pillar of personal well-being

Example

1. EY helps drive positive changes in financial behavior, leading to increased financial wellness, through personalized learning paths, access to trusted resources and tailored communication to engage individuals.

It's more than retirement planning

The definition of financial wellness is as varied as the offerings that are available in the market. At EY, we define financial wellness as the ability to make confident, well-informed money-related decisions resulting in financial security for both the short and long term.

No matter their age when they begin tackling these issues, employees striving for financial security need to start with a stable foundation. That foundation serves as a cornerstone to plan and adjust as employees move through career stages and life events. Employees benefit most from integrated plans that methodically address each phase. But companies are not financial wellness consultants.

In the absence of a comprehensive program, organizations often cobble together financial wellness programs by offering solutions for a specific personal financial wellness need, such as retirement, insurance or student loan debt. This siloed approach leaves gaps in the program that can limit the potential of a well-intentioned benefits suite.

Companies may consider their retirement plan administrator a financial wellness provider. But the administrator's primary focus is on helping employees invest for the future within their retirement plan. Other benefit administrators may offer point solutions without holistically integrating information and bridging the benefits divide for the employee.

Some organizations don't offer elements of financial wellness at all. Among the 200 HR professionals we polled, 14% said they do not have a program, and half of that group have never considered it.

Our survey showed that those who offer financial wellness plans saw a direct correlation to employee well-being, retention and productivity, as shown in Figure 1. In fact, most respondents considered those the main benefits of a financial wellness program. Those without a program had a more limited vision of the potential benefits, as shown in Figure 2.

Figure 1: Main benefits of a financial wellness program

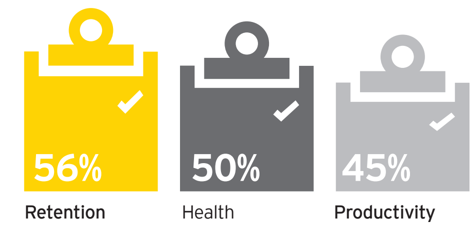
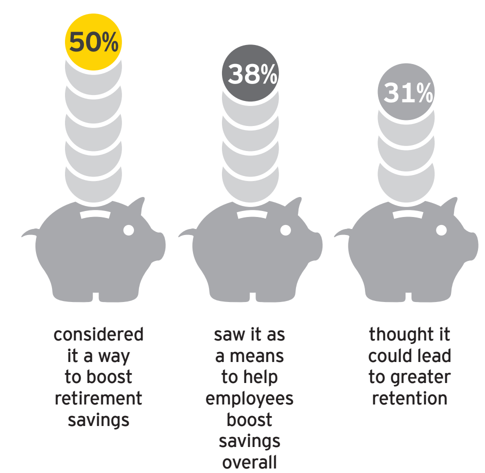


Figure 2: Non-wellness program perspectives



In search of ROI

The benefits of financial wellness programs are well documented, but organizations want metrics and measurements to validate the expense. Among our survey respondents, of those who do not have a program, only 16% felt they could justify adding a financial wellness program without knowing the anticipated ROI. Among those who already offer some type of benefit, 34% felt they could offer the benefit without knowing the ROI.

But, ROI can be difficult to measure and may not be the most reliable benchmark. Sick days, productivity and other indicators fluctuate, and factors unrelated to financial stress could account for those changes. Additional data may be with third parties, making it expensive to obtain and time consuming to aggregate.

The reality is that financial wellness programs can be "proved in" with fairly conservative assumptions. The Consumer Financial Protection Bureau says employers typically see a return of $3 for every $1 spent on financial wellness programs. Yet, a more effective way to prove the program's value is by measuring employee engagement.

It's time to change the ROI conversation. HR practitioners excel at knowing how employees utilize their benefits options, accepted methods of learning more about an organizational topic and what employees look for when they need help. This practical knowledge provides an opportunity for the benefits department to share strategic insights with the C-suite, helping executives reframe how they view the value of financial wellness programs.

A better measure of success

Most workforce populations cross several generations with varying perspectives on personal finance. They also consume information differently. To engage them, leading organizations craft a multidimensional program and formulate a targeted communications plan to foster awareness and push employees to action. With those core components in place, employee engagement can then be measured.

Maximizing ROI starts with knowing your employee base — age, career stage and income ranges. But fostering engagement depends on more than demographics. It requires a deeper understanding of workforce psychographics — how employees think and feel about money.

The process starts with knowing your employee base — age, career stage and income ranges. But fostering engagement depends on more than demographics. It requires a deeper understanding of workforce psychographics — how employees think and feel about money.

- What are their money habits?
- How satisfied are they with their current personal financial situation?
- Do financial concerns affect their family relationships?
- How much time do they spend worrying about their personal financial situation?

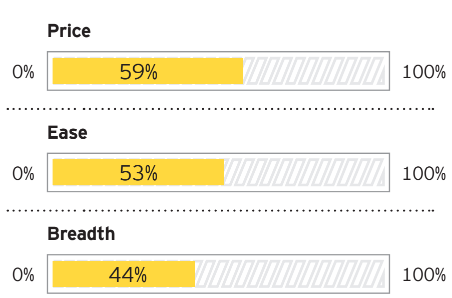
A financial wellness assessment can help uncover these more subjective beliefs and enable you to craft targeted communications to inspire action.

Take, for instance, EY's recent collaboration with a large health care employer. By launching a five-week, targeted communication effort to employees who did not feel financially confident, the employer saw an 89% lift in financial wellness assessment completions over the previous two years. The rewards of that effort will deliver exponential value by providing an understanding of employee financial behavior and confidence. This enables more personalized communications, which leads to improved benefits engagement.

Personalized learning paths, access to trusted resources and targeted communications are the foundation of a comprehensive financial wellness program. But our survey revealed the selection criteria varies among those who already offer a program and those who don't.

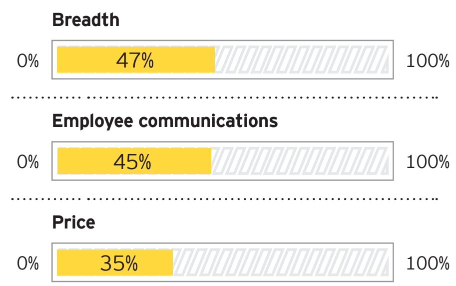
Those who have yet to offer a program focus on cost, which shows that justifying the price — the hallmark of ROI — remains a stumbling block for some, as shown in Figure 3. But looking to the market to see what other companies — especially competitors — are doing will yield insights on how to justify these programs.

Figure 3: Selection criteria for nonfinancial wellness program providers



Once a program is in place, the focus shifts and becomes more about employee engagement across the breadth of the program as shown in Figure 4.

Figure 4: Selection criteria for current financial wellness program providers



An integrated, multichannel program that is objective, easy to use, well publicized and personalized will best serve employees and help with engagement.

Each touch point of a comprehensive, integrated program should include handoffs from one action to the next to minimize interruption of the financial planning process. For instance, a group learning session should introduce a related learning tool, video or invitation to speak with a financial planner. This approach teases out a continuous learning experience, vs. the start and stop of siloed activities, and yields stronger metrics of interaction.

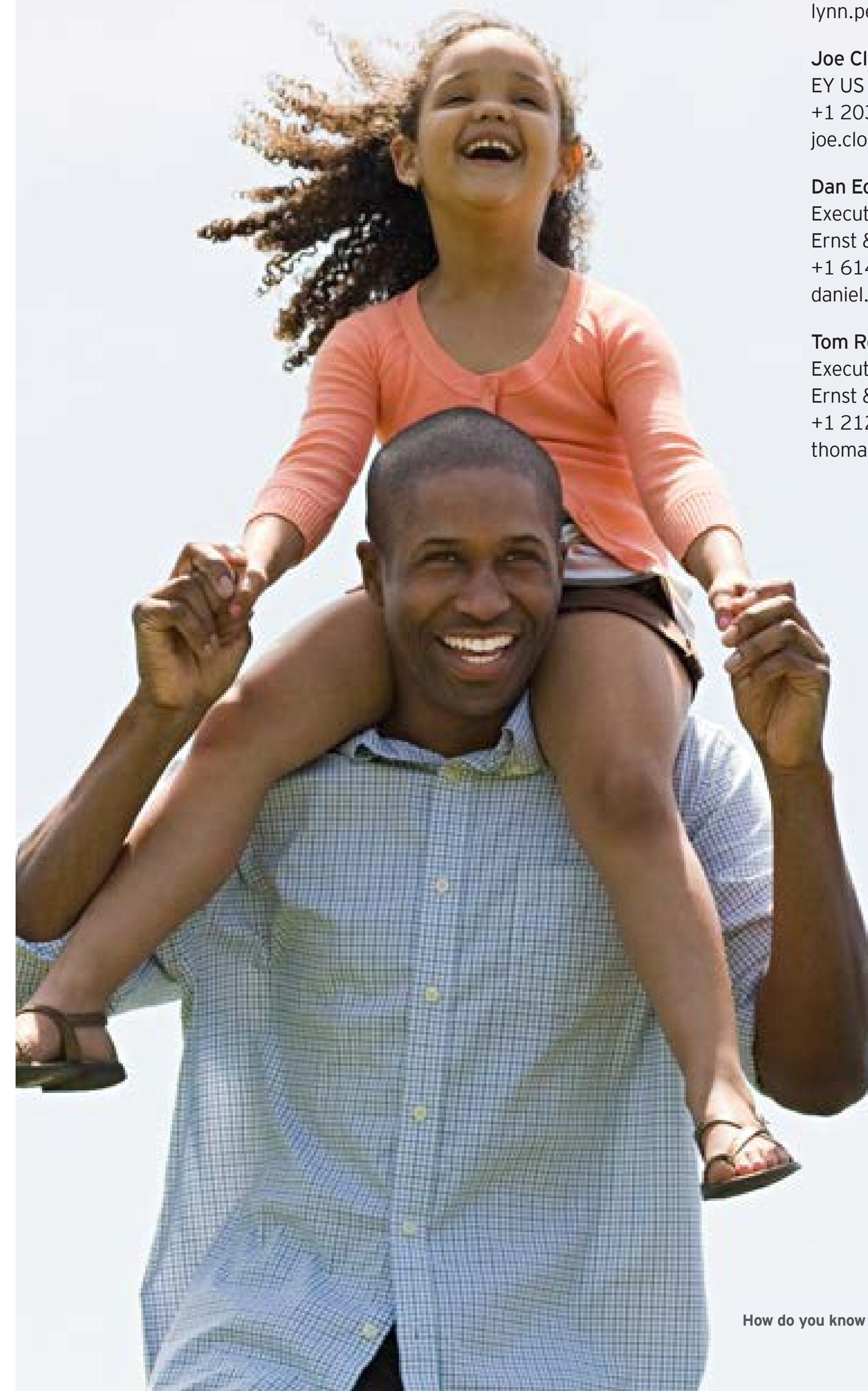
Unlike the third-party data needed to calculate ROI, these metrics come directly from the wellness program, making them accessible and more accurately correlated to program performance.

Participation = ROI

It's understandable that organizations need to measure the impact of their investment in employee benefits. Creating a suite of benefits is futile if your workforce doesn't use the resources to forge a path to financial wellness. But changing the conversation from metrics-driven assessment to measuring levels of healthy utilization will give leaders a new perspective on the value of their spend.

Financial wellness is a lifelong effort. The more guidance your employees receive, the more likely they are to learn and put financial constructs into action. Targeted education, access to personalized learning paths and support from trained financial professionals ultimately lead to employees who are engaged in their financial lives.

As employees become more active in financial planning, they build the confidence they need to continue their financial wellness journey. Alleviating financial stress clears the way for more productive workers and ultimately yields a higher return on investment.



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