It's Time to Change the Conversation on Financial Wellness

Financial stress is a barrier to employees saving for retirement.

By Mark Singer

The retirement landscape as we know it is changing. For decades plan providers, plan sponsors, and financial advisors have been educating plan participants on the basics of investing and why it is important to save for retirement regardless of how far or close in the future their retirement date is. Some might say the industry has done an adequate job in relaying those messages. Some might say otherwise. I think that as an industry, we still have a lot of work to do as we strive for overall retirement readiness in the American workforce. Are we providing information to plan participants that is helping them save now for their retirement? Are we helping them overcome barriers to saving or saving more for their futures? How are we empowering them to save for tomorrow when we are not addressing what they need to know about surviving the here and now of their financial realities? In order to help them move forward we need to begin to address what they are really concerned about.

There is a financial wellness situation in this country that is becoming a crisis. The simple fact of the matter is that people cannot focus on saving for retirement if they are struggling with debt and living paycheck-to-paycheck. They are unfamiliar with how to budget and do not have emergency funds set aside should they have an unforeseen crisis. It is difficult for them to save for retirement when they can't manage their current financial stresses.

Financial stress is costing American businesses millions of dollars in reduced productivity, increased absenteeism, and turnover. Employees are financially overstressed and the stresses are coming into the workplace, where it impacts employers directly. In order to address the problem we need to change the conversation on financial wellness.

A Nation Floundering in Debt

The effect that deep debt is having on retirement savings has been the focus of an HSBC Bank survey. They began gathering data in 2005 from a global pool of more than 140,000 people, and released their findings in the document *A Balancing Act* in 2015.[1] The study showed that among surveyed countries, Americans were found to be the most ill-prepared when it came to retirement savings, with 76 percent of those in the workforce admitting that major life events have significantly impacted their savings efforts. One of the main conclusions of the survey was that the ability to save for retirement was hampered by difficult economic times and increasing financial responsibilities. Debt is being acquired by those of a younger age, preventing them from saving for the future. There were two main reasons for inadequate retirement savings. First, workers were not developing and initiating savings plans early enough in life, which equated to them needing to set aside more as they aged. Second, younger generations are accumulating much more debt today, which is consuming funds that would normally be available for saving.

In my twenty-eight years in the industry, I have heard too many times how an individual has looked back on their life and said, "I wish I had started saving earlier." For example, on one occasion I was part of a meeting with a major benefits and wellness firm. When I told them how I was addressing financial literacy, the common reply was, "Gee, I wish I had learned more about this when I was in school." The people who made this comment were in their 20s and 30s and this same situation has occurred many times. Employees are wishing they had information about financial wellness and they are beginning to ask for it. The good news is that employers are taking notice. *Help is on the way.*

Employers Can Address Financial Literacy

Once, I was speaking at a wellness conference and I asked a woman, "What type of financial literacy do you get from your company?" Her response was that a 401(k) provider came to the company twice a year to tell them about investments. She was a vice president of human resources. She was responsible for leading the financial literacy charge for her company and yet she was unclear as to what financial literacy was. Her response is a common one and demonstrates the confusion between retirement plan presentations and a true financial literacy conversation. However, internal conversations in companies are starting to change.

A recent study by Bank of America, *2015 Workplace Benefits Report*, indicated that financial wellness continues to be an important topic for employers. While the study focused much of its analysis on larger companies, it also examined the latest trends and insights from employers of various sizes. Many of the surveyed employers are committed to financial wellness programs because they believe it improves their company's bottom line. Greater financial wellness generally leads to a more satisfied, loyal, engaged, and productive workforce, which in turn produces better business outcomes. A highlight of the key findings are:

- 97 percent of large firms surveyed said they feel at least somewhat responsible for helping their employees improve their financial wellness.
- 90 percent of large firms surveyed believe workplace financial solutions will be a standard element of benefits packages in a decade.
- 63 percent of surveyed employees have experienced an increase in healthcare costs of 6 percent or more over the past two years.
- One in four large firms said they offer or are considering offering incentives to encourage employee participation in workplace financial solutions.
- One in five large firms indicated they target specific generations such as Millennials or Boomers with their communication efforts.

According to the study, the range of assistance needed by employees is stretching the benefits departments in new directions. Human resources professionals mentioned they are spending more time on healthcare issues than they have in the past, and 74 percent of them feel they need to be experts in healthcare and retirement to do their jobs effectively.

It is becoming clear that employers' messages can no longer focus only on enrolling and participating in a 401(k) plan. Employers can engage their employees in a more holistic approach, promoting financial wellness based on each individual's life priorities.[2]

The Journey Begins

Many experts in the retirement industry are talking about financial wellness and that is a good sign for change to begin. The journey to retirement readiness is not always an easy one. The change in conversation to include financial wellness is a positive step. Over the past few months I have had conversations with industry experts on this topic. They all acknowledge the importance of the topic and the need for change. Traditional education programs need to change as employees are still not retiring with enough savings. Our current programs need to take a different focus, such as time for personal meetings with financial advisors. Mike Montgomery[3] shared a story about an enrollment meeting he was conducting at an auto dealership. After the enrollment meeting, a participant pulled him aside and told him he had built up massive credit card debt and this was a barrier to him saving in the plan at the level he wanted to. Should he pay off the debt, start again, or carry it and defer smaller amounts? Mike realized he had kept his meeting at a high level and that it did not mean much to the employee because his personal issues were not being addressed. Kristie Howard[4] shared with me her belief that financial wellness becomes an integral part of an employer's overall strategy. She thinks the trajectory we are on now is good and we can get there together in five years. And lastly, Charlie Epstein[5] hopes we can help decrease financial stresses for those who won't be able to save the full amount, and show them how to save a little.

We are at the beginning of positive change in the retirement industry. We need to recognize that plan sponsors and human resources/employee benefits departments are focusing on a lot of benefit concerns for their employees. Working together in their respective organizations, they realize the need to offer financial wellness solutions in addition to what is offered through retirement plans. The retirement industry needs to make it easier for them to monitor their priorities.

I believe strongly in this principle and recently developed a program as part of the Financial Literacy Toolbox[6] to provide benchmarking tools for instant reporting and timely feedback to human resources and benefits departments. They will be able to see at a glance what adjustments need to be made to their program. Others are building similar tools to assist in the management of comprehensive benefit programs. The retirement industry has already begun to pivot and develop educational tools and services to help address financial wellness. By coordinating the efforts of the investment community and wellness professionals, we can make a real world of difference in the lives of many, by having the courage to change the conversation and seriously address financial wellness issues.

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[1] HSBC Bank (2015). The Future of Retirement Survey. *A Balancing Act.*

[2] Bank of America Merrill Lynch Workplace Benefits Report. *2015 Workplace Benefits Report.*

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[6] www.FinancialLiteracyToolbox.com