MINNESOTA LIFE | SECURIAN®

A white paper to help you grow your business

Financial Wellness: Tuning in to the total health model

The past two years of economic turmoil have left many Americans feeling vulnerable. These volatile times have also exposed a frightening reality: many people are completely unprepared to deal with personal financial crisis.

"Financially distressed employees have trouble functioning in their jobs, and this is hurting their physical health as well as taking a bite out of the employer's bottom line."

– Dr. E. Thomas Garman, President, Personal Finance Employee Education Foundation (PFEEF). May 28, 2009.

The banking and mortgage crisis created the perfect financial storm for businesses and employees alike. While businesses struggled to maintain profit margins, demand for product and services remained weak. The credit belt remains tight for short and long-term business financing. In turn, employee layoffs are at levels not seen since the deep recession of the 1970s.

But the current global economic situation is not the sole cause of many employees' financial difficulties. The true problem is a widespread lack of basic understanding of financial principles and the poor choices that result. Combined with the pains brought on by recession – job loss, declining home values, giant drops in the value of retirement savings – more and more Americans are finding themselves in financial distress. As early as 2008, 61 percent of those surveyed stated they had "serious financial problems."[1]

Serious indeed. According to the Federal Reserve Board, in 2008 Americans amassed over 2.5 trillion dollars in personal consumer debt – up 22 percent from the year 2000. Clearly, Americans are in financial trouble – and they need help. That often means looking to their employer. Not surprising, given that some 50 percent of employees obtain most of their financial products through their employer.[2]

Employers are sharing in their employees' pain. Individuals with stress caused by large outstanding debts and unstable financial situations report incidences of ulcers and digestive problems, migraine and other headaches, anxiety, depression and even heart attacks at rates between two and three times the national average.[3] That stress translates into higher health care costs and other negative effects on the workplace; financially stressed employees experience higher absenteeism and turnover, lower levels of job satisfaction, lower satisfaction with compensation and lower productivity.

Presenteeism – the time employees spend at work not working – also is a big factor. According to E. Thomas Garman of the Personal Finance Employee Education Foundation (PFEEF), around 80 percent of employees report spending between 12–20 hours of work time per month dealing with personal financial issues.

With so much at stake, employers have little choice but to accept the role of helping employees improve their financial wellness. Even so, according to a Society for Human Resource Management (SHRM) survey, only 33 percent of employers offer education on financial topics beyond employer-provided benefits or retirement.[4] Benefits brokers can fill the gap and tap this large growth market by offering their clients guidance in identifying financial wellness programs and tools to address financial fitness.

Worth the effort

Employers stand to recoup significant return on investment by implementing such programs – as much as $3 for every $1 spent according to PFEEF.[5] Even in the first year of a program, employers can expect to experience a sizeable return on investment, with savings of up to $2,000 per employee for an initial investment of around $250 per employee.[6]

Yet, despite the compelling ROI, businesses often overlook the impact of financial wellness and its link to physical health. In polls, individuals rate personal financial concerns five times more stressful than physical health concerns.

Wayne Hanson, SPHR, CEPF, argues that HR's focus in addressing health concerns has been too narrow. "To put a disproportionate share of our focus on health promotion programs and disregard the importance of a financially well employee … is ignoring a major portion of the overall wellness solution," he contends.[7]

3:1

The ratio of return on investment for financial education/wellness programs

A holistic approach

The wellness model that organizations have applied successfully for improving employees' physical health also can help employees realize financial well-being. "An astute employer, particularly one that is already investing significant dollars in health promotion, will see the benefit of assisting employees in becoming savvy savers, spenders and investors," says Hanson. "These employers understand that by improving the financial wellness of employees, they are also creating an environment for better overall employee wellness."

Of course, just as Americans did not become obese and physically unhealthy overnight, neither did their needy financial situation just happen. It took a steady diet of poor choices and behaviors, a lack of awareness and an absence of readily available education to create this unhealthy state. And it will take a sustained effort of heightened awareness, better education, behavior change and smarter choices to put it right.

Action plan for employers

The wellness model which has helped countless organizations and individuals realize better health and well-being also can be applied to financial health. The components of the wellness continuum include awareness and education, and programs and communications based on desired behavior change. If applied to financial challenges as it has been to health care, this wellness model has the potential to significantly improve employees' overall health – fiscal and physical.

See the Appendix for more detail on the behavior change model.

Awareness and education

Regardless of education level or pay scale, many employees lack basic financial skills to properly evaluate their benefit offerings, let alone make sound decisions about personal debt and other financial issues. Workplace financial education should not be limited just to retirement planning but cover the basics of budgeting, investing, taxes and insurance. Coupled with personalized advice or planning services, this training can go a long way toward boosting financial literacy among employees.

Case in point, a chemical producer in the southeastern U.S. that offered a series of financial workshops found participants took a more active role in their finances, with 75 percent saying they were making better financial decisions and 56 percent saying their financial situation had improved as a direct result of the training. Additionally, 34 percent began contributing to the company's 401(k) plan and another 45 percent increased their contributions.[8]

Most programs can be incorporated into the workplace inexpensively. What's more, many employers already have access to financial training through existing benefit programs and simply need to assess how to utilize it more efficiently. Existing EAP programs, for example, often include financial education components and also provide resources for the psychological and stress management issues associated with financial problems.

Retirement planning can be expanded to include financial fundamentals such as credit use, saving and tax planning. Sessions can be set up as informal "lunch and learn" programs to encourage higher participation. Recording the sessions increases their shelf life to be used for new hires, as refresher courses or as modules in a company's social network, giving employees the opportunity to share and discuss challenges with one another.

Employers also can tap community and local resources for employees who need credit counseling and debt management support. These organizations typically offer support services over the phone or may volunteer to come on-site. In addition, there are many non-profit organizations available to help employees establish budgets and consolidate debt.

Getting the word out

Financial literacy programs have little impact unless employees know about them. Positive and frequent communications from senior and middle management regarding the availability of these programs is critical. Publishing participation statistics helps, too. Employees are more likely to use a program or service if they feel it's widely accepted by their peers.

A survey of employees' needs can pinpoint where to focus education and communication efforts. The survey can be simple with questions about areas of financial concern and yes/no questions about employees' readiness to change their financial behaviors.

Forward-thinking employers may go a step further and consider working with wellness vendors to enhance existing Life Health Assessments to include financial questions. The information gained allows employers to establish a benchmark of financial wellness and to develop targeted financial health programs alongside standard health promotion programs.

Strategies to increase employee financial well-being

- Implement focused personal finance education
- Create employees who are savvy about big-ticket purchases
- Enlist employee input on best "personal finance" practices
- Distribute objective personal finance materials to boost employee financial wellness
- Incorporate "financial wellness" into your employee wellness programming

Source: WELCOA. Financial Wellness: Thrifty Ideas for Turbulent Times. 2009.

"We have been working with our clients on a strategic way to approach financial education that parallels what companies are doing in the health and wellness arena," says Kent E. Allison, Partner in charge of the Financial Education Practice for PricewaterhouseCoopers. "This includes a Financial Fitness Assessment and more targeted communication and education focused not only on increasing financial literacy but also, more importantly, on driving desired behavioral change."

Much like a health risk assessment, PwC's assessment tool asks employees to answer questions about the behaviors they have or haven't exhibited relative to achieving personal financial wellness. When completed, employees receive a personalized report that includes a financial wellness score along with an action plan to address any issues indentified. Employers receive a report with aggregate data from completed assessments that provides insight into the financial health of their employee group and can be used for more targeted education and as a baseline for program evaluation.

Making the connection

"Financial wellness is a lot like physical wellness," concludes Ken Redding, president of the Financial Wellness Group, a provider of financial wellness programs. "What an employee does today pays big dividends in the future, but also has an immediate impact on their personal confidence, morale and overall well being. All of which is great for the company's bottom line."

Employers who stay ahead of the financial wellness curve will benefit from a more engaged and productive workforce, lower absenteeism, lower turnover and better overall employee health. Brokers who keep pace with these concerns solidify their role as trusted advisors. Employees, of course, are the clear winners, enjoying the benefits of less debt, less stress and a more secure financial future.

A natural fit

In addition to health and wellness programs, we offer a suite of enhanced services in conjunction with our group life insurance plans, including:

- Legal services
- Travel assistance services
- Identity theft resolution services
- Beneficiary financial counseling
- Bereavement counseling
- Legacy planning services

To learn more about any of these services, contact the group sales manager in your region or call our national sales office at **1-800-606-LIFE (5433)**.

References

[1] Kaiser Family Foundation. Survey Brief: Economic Problems Facing Families, April 2008.

[2] Partnership for Workplace Mental Health. Research Works. Employee Financial Distress and How Employers Can Help, February 2009.

[3] Aversa, Jeannine. "Stress Over Debt Taking Toll on Health." The Associated Press, June 9, 2008.

[4] SHRM Poll: Assistance Organizations Offer to Help Employees Manage Their Financial Resources. Society for Human Resource Management, November 2, 2009.

[5] Prawitz, Aimee E. and E. Thomas Garman. "It's Time to Create a Financially Literate Workforce to Improve the Bottom Line." *Benefits Compensation Digest* 46 (4): 1, 11-14.

[6] Prawitz and Garman.

[7] Hanson, Wayne. "Wellness scope too narrowly focused on health." *Employee Benefit News*, April 2010.

[8] Executive Summary: Insights into Participation in Workplace Financial Education at Southeastern Chemical Producer, Incorporated. Virginia Polytechnic Institute and State University, 1998.

Resources

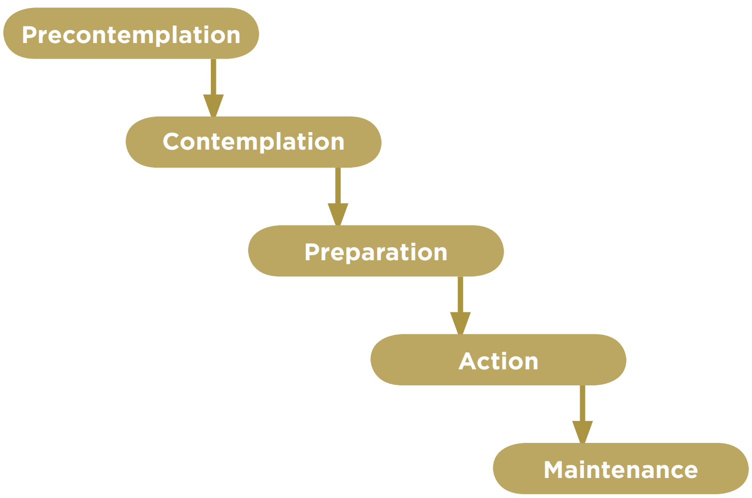
Partnership for Workplace Mental Health. Research Works. Employee Financial Distress and How Employers Can Help, February 2009.

WELCOA. Absolute Advantage. Fiscally Fit: Financial Wellness Goes Mainstream, 2007.

Appendix

The Behavior Change Model

Dr. James O. Prochaska and colleagues developed the Transtheoretical Model of Change (TTM) in the 1970s to show change is a process, not an event. This model has long been used to understand why people act the way they do. The TTM was developed by studying human experiences and integrating existing psychotherapy models. Prochaska found that behavior changes are far more complicated than described in many existing theories. Prochaska and his colleagues came to the conclusion that incorporating change processes from the better known psychotherapy models would create a new model focused on helping people intentionally change behavior.



The stages of behavior change developed by Prochaska include:

Precontemplation – "I can't" or "I won't:" About 40 percent of all people are here when it comes to behavior change. They are unaware their behavior is harmful or risky to their health or may not be ready to admit it.

Contemplation – "I may:" Individuals in this state are more likely to acknowledge they have a problem and start moving toward a solution. Plans are indefinite, but they are forming.

Preparation – "I will:" Most people in this stage intend to make a behavior change within 30 days.

Action – "I am:" In this stage, people are taking overt action to change.

Maintenance – "I still am:" Change doesn't end with the action stage; change is an ongoing process with relapses and new successes.

The TTM can be applied to financial behavior in the same way it has been applied, with great success, to health behavior.

Stage of change	Change strategy	Example of employer action
Precontemplation	Consciousness raising: finding and learning new facts, ideas and tips to support behavior change	Provide employees with articles on the importance of debt reduction, budgeting, saving
Contemplation	Self-reevaluation: realizing that the necessary behavior change is an important part of one's identity	Encourage employees to make the advantages of behavior change far outweigh the disadvantages
Preparation	Self-liberation	Remind employees, through shared stories, that things will not change until they make the commitment to do things differently; employers can also share how they are changing as employers, how they are listening and helping
Action	Reinforcement management	Encourage employees to reward themselves for achieving a financial goal
Maintenance	Cope with setbacks	Reinforce achievements attained through positive behavior change; provide tips and techniques to help employees get through setbacks or face an upcoming challenge

Resources

Strategies for Motivating Employees To Develop Positive Financial Behaviors: An Application of the Transtheoretical Model of Behavior Change (2008), Xiao, J.J, Prawitz, A.D., Prochaska, J.M., O'Neill, B., Kim, J., & Garman, Special publication of the Personal Finance Employee Education Foundation, pp. 1-8

www.PersonalFinanceFoundation.org

Minnesota Life Insurance Company
A Securian Company

Securian Life Insurance Company
A New York admitted insurer

Group Insurance
www.LifeBenefits.com

400 Robert Street North
St. Paul, MN 55101-2098
1-800-606-LIFE (5433)
651-665-7898 Fax

F62382-28 8-2010
A03311-0810