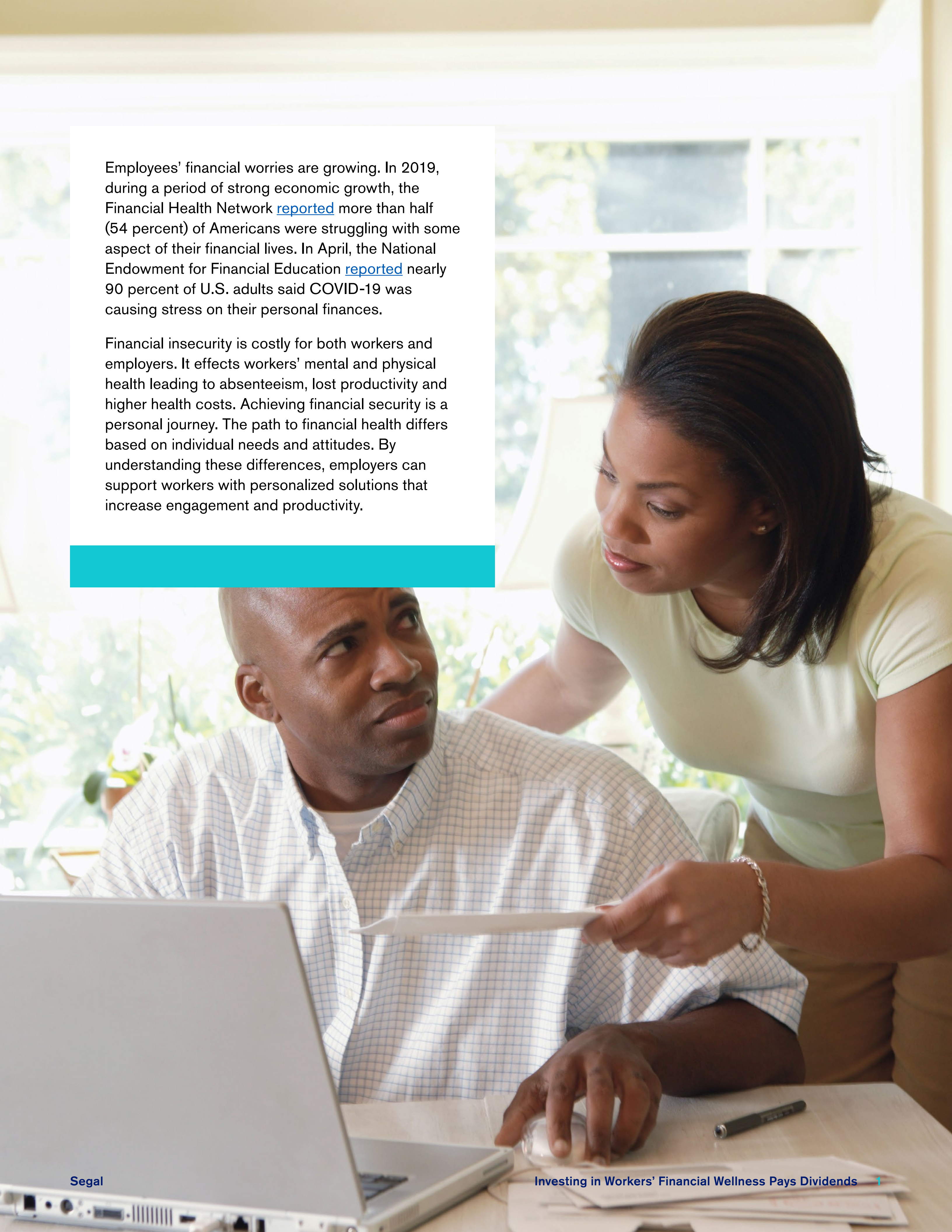
Investing in Workers' Financial Wellness Pays Dividends

Financial Insecurity Has Increased During the Pandemic

Segal

Employees' financial worries are growing. In 2019, during a period of strong economic growth, the Financial Health Network reported more than half (54 percent) of Americans were struggling with some aspect of their financial lives. In April, the National Endowment for Financial Education reported nearly 90 percent of U.S. adults said COVID-19 was causing stress on their personal finances.

Financial insecurity is costly for both workers and employers. It effects workers' mental and physical health leading to absenteeism, lost productivity and higher health costs. Achieving financial security is a personal journey. The path to financial health differs based on individual needs and attitudes. By understanding these differences, employers can support workers with personalized solutions that increase engagement and productivity.



Workers' financial worries cost employers billions

Employees carry their financial worries with them when they go to work. The list of concerns is long and personal. It includes everything from concerns about healthcare costs, debt and caregiving obligations to paying monthly bills, covering unexpected expenses and preparing for retirement.

The list of employer concerns is just as long. Stress can lead to higher healthcare costs, lost productivity, absenteeism, diminished job performance and turnover.

Employers are paying dearly for workers' financial insecurity. A 2020 report from the blog Salary Finance on financial wellness estimates financial insecurity costs the average employer 13 – 18 percent of their annual payroll. The costs include hours lost on money worries, sick days, a decline in the quality of work and an inability to finish daily tasks. Stress-related illnesses and injuries cost the U.S. more than $300 billion annually, the American Psychological Association reports. The costs are associated with accidents, absenteeism, turnover, lower productivity and direct medical and insurance costs.

People under financial stress are more likely to suffer from poor mental health than those without financial stress, Salary Finance reports. They are six times more likely to experience anxiety or panic attacks and seven times more likely to be depressed.

Financial stress also affects physical health. A survey of more than 3,000 US adults by Thriving Wallet found 21 percent said financial stress affected their physical health. Some 17 percent of respondents said it affected their blood pressure, and 35 percent reported losing sleep over financial worries.

Financial needs differ across the workforce

While most people share similar financial goals and worries, different factors influence an individual's ability to achieve financial security. Financial needs and attitudes can vary based on a number of factors such as gender, race, ethnicity, age and caregiver status.

Financial goals vary

Women place a higher priority on financial goals than men, but are less likely to say they are on track to meet those goals, according to a 2018 study by Prudential Financial. The survey of more than 3,000 U.S. respondents also found differences by race and ethnicity. Black, Asian and Latino Americans are more likely than the general population to provide financial support to family members and are more likely to be caregivers. Support for families includes taking care of parents and other relatives and helping children with a down payment on a house.

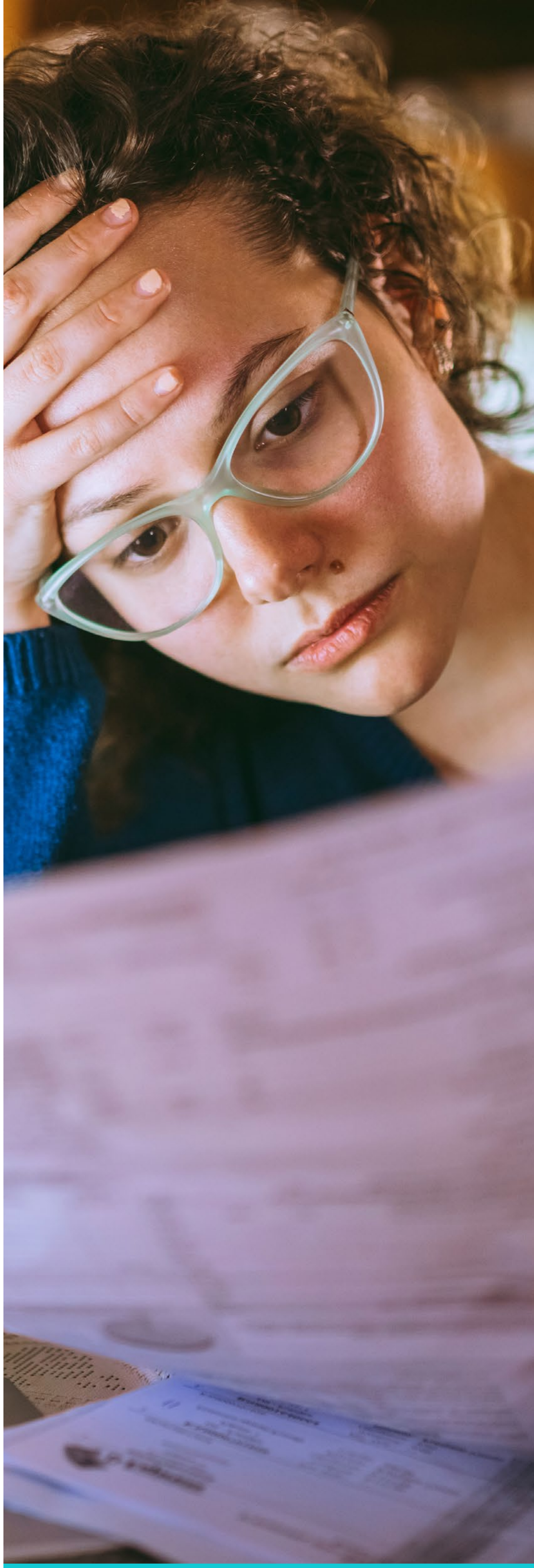
Savings rates differ among demographic groups

Savings rates also varied among populations. Blacks reported having lower emergency and retirement savings rates than the general population. Similarly, Asian Americans and Latino Americans were less likely to participate in an employer-sponsored retirement plan. Latinos were also less likely to own other financial products, such as life insurance, brokerage accounts or long-term care insurance.

Debt is a major issue for most Americans, particularly for younger generations

Excluding home mortgages, the average American household holds nearly $27,000 in consumer debt, according to a 2020 analysis by Northwestern Mutual. For Millennials (born between 1981 and 1996) credit cards are the leading source of debt. For Gen Z (born between 1997 and 2012), student loans are the leading source of debt.

Among Gen Z, student loan debt can drive career choices. A January survey by Handshake found 61 percent of college students would take a job they are not passionate about because of the pressure to pay off student loans.



Caregivers are struggling

Half of caregivers work full-time outside the home, according to the Prudential survey cited above. For most caregivers, family care is equivalent to a second job, with the majority spending more than 10 hours per week caring for someone. The physical and emotional toll of caregiving costs employers 8 percent more in healthcare costs than non-caregiving employees, according to the Northeast Business Group on Health and AARP. It also contributes to lost productivity and higher rates of turnover.

Working parents, especially women who typically put in more hours caregiving, are struggling to manage work and childcare during the pandemic. A 2020 report from Cleo found full-time working mothers in two-parent households are providing about 22 hours of childcare per week during the pandemic in addition to maintaining their jobs. With limited or no childcare support and schools opting for virtual learning, employers face a potential exodus of working parents, particularly women, in the coming months.

A survey of 1,500 U.S. adults conducted in March by Syndio found 14 percent of women and 11 percent of men were considering quitting their jobs because of family responsibilities. Three months later, a June Cleo poll found one-third (33 percent) of those surveyed reported at least one parent had left the workforce or shifted to part-time work. In most cases (70 percent), it's women who are dropping out of the workforce.

Employers can support workers' financial well-being now and in the future

In the midst of the pandemic, workers are wrestling with immediate financial worries related to living, working and surviving. Workers need options that feel personal. Easy-to-use tools and communications can help employees understand their benefits and strengthen their financial health. Offering solutions that improve decision-making now is essential to helping workers lay the foundation for a financially secure future.

Addressing employees' urgent financial worries is critical to supporting health and well-being. Educational programs focused on managing day-to-day finances, preparing for disruptions and building skills can provide workers with a sense of control over their saving and spending. Taking steps now will not only alleviate stress, but also help build a financially secure future.

Five Key Components of Financial Security Programs Focused on Employees and Their Family Members

Financial Education

- Financial literacy and goal setting
- Financial wellness checkups

Budget Assistance

- Building budgeting skills
- Credit monitoring and counseling services
- Debt management and consolidation
- Education benefits (e.g., tuition assistance, student loan refinancing/ repayment, college savings plans)
- Emergency savings
- Understanding HSAs
- Short-term or sidecar savings

Caregiver Support

- Flexible schedules and hours
- Stipends or subsidies for care-related expenses
- Childcare and eldercare resource and referral services
- Care planning and management tools
- Backup care
- Virtual tutoring and babysitting services
- Mental health benefits (e.g., enhanced EAP, virtual therapy and stress management programs)
- Support groups

Retirement Planning

- Educational sessions about long-term investing and goal setting
- Retirement readiness assessments
- Retirement plan benefits
- Retirement income planning (e.g., guaranteed lifetime income and asset-drawdown strategies)
- Estate planning

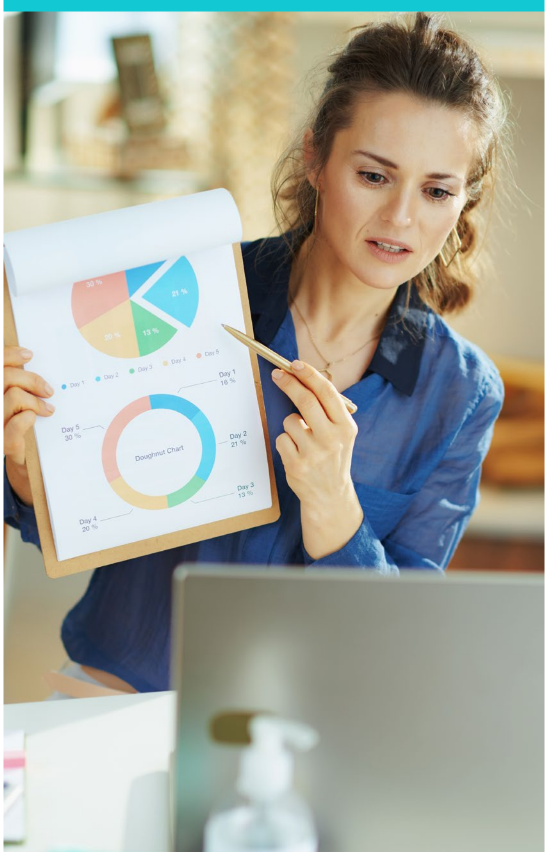
Insurance Benefits

- Healthcare
- Life insurance, AD&D
- Long-term care insurance

Measuring financial well-being

Helping workers and their families improve their financial well-being starts with understanding their needs and goals. That includes assessing their use and awareness of the resources currently offered. Assessing financial well-being efforts can focus on a variety of factors, including utilization and engagement, satisfaction, productivity and healthcare costs.

By digging into the data and worker preferences, organizations can fine-tune their plan design, determine what new resources or programs may be needed and focus communication and engagement efforts where they are most useful.



A tailored solution can meet individual and organizational needs

To achieve a comprehensive financial well-being solution that fits the needs of a diverse workforce, organizations can follow this approach:

- **Listen** — Lay the foundation for promoting financial security and well-being by listening to employees to fully understand their financial needs and concerns.
- **Learn** — Use segmented workforce analytics to examine how specific cohorts of the employee population can benefit from a variety of financial wellness offerings.
- **Solve** — Draw insights from the data to create a customized financial wellness solution that directly addresses specific needs across the workforce and achieve business goals.
- **Engage** — When implementing the solution, build awareness and communicate the value to drive adoption, foster engagement and maximize the investment in people.

After implementing a financial well-being solution, it's vital to evaluate and measure the impact of the program to determine where changes may be needed and what steps can be taken to improve outcomes.

Questions? Contact us.

To discuss how our thoughtful, customized approach to financial well-being can help your employees and your organization, contact the subject matter experts:

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This publication was written in collaboration with Segal's Innovation Lab. For more information about the Innovation Lab, get in touch.

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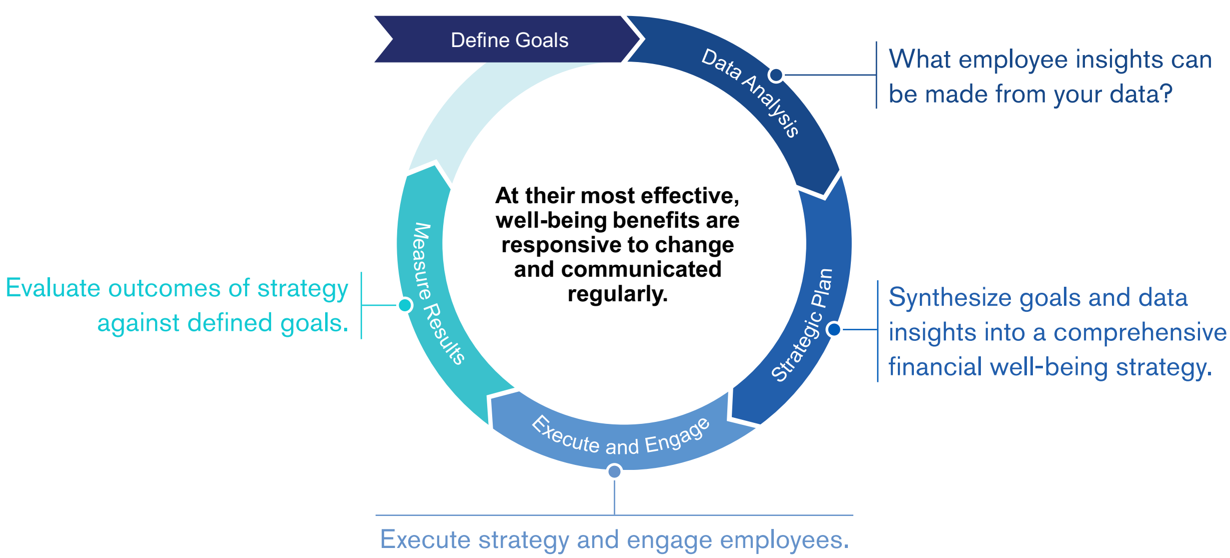
Develop a custom strategy to improve your employees' financial security

Segal's retirement and communications professionals create financial well-being programs that address each organization's unique workforce needs. We work with organizations from various industries including higher education, construction, energy, public sector, healthcare, professional services and entertainment, among others. Financial security has a positive impact on the physical and mental health of your people. It also has implications for improved productivity and lower healthcare costs.

Analyzing your workforce data can diagnose problems and uncover issues you didn't know you had. Also considering your organization's goals creates a financial security strategy that works for your employees and your business. Areas to examine include:

- Absenteeism — What is the rate, and is sick-day use high?
- Wellness programs — How effective are your wellness programs? Do your employees make optimal benefits decisions?
- Employee assistance program — How many employees are using it, and what services are they using?
- Student loan debt — To what extent is it preventing employees from saving? Is it a stressor for your employees?
- Employee deferral patterns — Are some employees deferring less than expected to the DC plan, and, if so, why?
- Investment decisions — Do the asset allocations of certain participants indicate that they may not be investing wisely?
- Retirement readiness — Are your employees transitioning successfully into retirement as they approach the latter part of their careers to allow for successful workforce planning?
- Employee perceptions — What are your employees' thoughts and feelings about their financial wellness?

We focus on your current employee engagement before we recommend options most likely to improve it. We work with you to establish a comprehensive and flexible financial security strategy that can react to the changing needs of your workforce.



When we address issues with how your employees are investing, we work with investment professionals from [Segal Marco Advisors](). Learn more about Segal's [retirement benefits and financial security services]().

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