THE FINANCIAL WELLNESS LANDSCAPE

How to design a successful program

Greg Ward, CFP®
WHAT IS FINANCIAL WELLNESS?

Physical  Financial

Personal Wellbeing

Emotional  Spiritual
WHAT IS FINANCIAL WELLNESS?

Financial Wellbeing (noun):

Financial wellbeing is a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life.

Source: CFPB, Financial well-being in America, September 2017
WHY ARE EMPLOYERS OFFERING FINANCIAL WELLNESS BENEFITS?

#1 Improve worker satisfaction

#2 Reduce financial stress

#3 Lower turnover

#4 Increase benefit utilization

#5 Improve productivity

Source: EBRI, 2018 Employer Financial Wellbeing Survey
WHY ARE EMPLOYERS OFFERING FINANCIAL WELLNESS BENEFITS?

Social Mission

82% We believe it is the right thing to do

Source: Alight Solutions, 2019 Hot Topics in Retirement and Financial Wellness
WHY ARE EMPLOYERS OFFERING FINANCIAL WELLNESS BENEFITS?

Lower Costs

FSA/HSA Contributions

Average Stress Level

Average Deferral Rate

Source: Financial Finesse, 2016 ROI Special Report
HOW ARE FINANCIAL WELLNESS PROGRAMS BEING DESIGNED?

The prevalence of over 60 benefits assessed increased between 2017 and 2018

Source: SHRM, 2018 Employee Benefits Report
HOW ARE FINANCIAL WELLNESS PROGRAMS BEING IMPLEMENTED?
# HOW DO EMPLOYERS MEASURE SUCCESS?

## Engagement

Levels of engagement vary depending on...

<table>
<thead>
<tr>
<th>#1</th>
<th>Design</th>
</tr>
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<tbody>
<tr>
<td>#2</td>
<td>Culture</td>
</tr>
<tr>
<td>#3</td>
<td>Communications</td>
</tr>
<tr>
<td>#4</td>
<td>Champions</td>
</tr>
<tr>
<td>#5</td>
<td>Incentives</td>
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</tbody>
</table>
HOW DO EMPLOYERS MEASURE SUCCESS?

Specific Metrics

#1 Improvement in worker satisfaction

#2 Reduction in financial stress

#3 Reduction in turnover

#4 Increases in benefit utilization

#5 Improvement in productivity
HOW DO EMPLOYERS MEASURE SUCCESS?

Changes in Behavior

Average Financial Wellness Score
(by focus area)

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>2013</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investing</td>
<td>2.8</td>
<td>4.4</td>
</tr>
<tr>
<td>College Planning</td>
<td>3.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Estate Planning</td>
<td>5.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Overall</td>
<td>5.0</td>
<td>6.4</td>
</tr>
<tr>
<td>Debt Management</td>
<td>5.8</td>
<td>6.5</td>
</tr>
<tr>
<td>Insurance</td>
<td>5.4</td>
<td>6.5</td>
</tr>
<tr>
<td>Tax Planning</td>
<td>5.7</td>
<td>6.6</td>
</tr>
<tr>
<td>Retirement Preparedness</td>
<td>5.6</td>
<td>7.4</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>6.6</td>
<td>7.7</td>
</tr>
</tbody>
</table>
HOW DOES LENGTH OF ENGAGEMENT AFFECT BEHAVIOR?

% On Track for Retirement

- **One year**: 22% (First assessment), 40% (Last assessment)
- **Three years**: 24% (First assessment), 54% (Last assessment)
- **Five years**: 21% (First assessment), 57% (Last assessment)

% Confident with Investment Allocation

- **One year**: 45% (First assessment), 58% (Last assessment)
- **Three years**: 40% (First assessment), 64% (Last assessment)
- **Five years**: 43% (First assessment), 69% (Last assessment)
HOW DOES LENGTH OF ENGAGEMENT AFFECT BEHAVIOR?

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Overall Financial Wellness Score</strong></td>
<td>5.0</td>
<td>6.4</td>
</tr>
<tr>
<td>I have a handle on my cash flow</td>
<td>67%</td>
<td>80%</td>
</tr>
<tr>
<td>I have an emergency fund to cover unexpected expenses</td>
<td>51%</td>
<td>60%</td>
</tr>
<tr>
<td>I pay my bills on time each month</td>
<td>86%</td>
<td>93%</td>
</tr>
<tr>
<td>I’m comfortable with the amount of debt I have</td>
<td>58%</td>
<td>67%</td>
</tr>
<tr>
<td>I regularly pay off my credit card balances in full</td>
<td>52%</td>
<td>61%</td>
</tr>
<tr>
<td>I feel confident my investments are allocated appropriately</td>
<td>43%</td>
<td>69%</td>
</tr>
<tr>
<td>I am on track to reach my income goal in retirement</td>
<td>21%</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Average Retirement Plan Contribution Rate</strong></td>
<td>6.3%</td>
<td>9.4%</td>
</tr>
<tr>
<td><strong>Average HSA Contribution Amount</strong></td>
<td>$934</td>
<td>$1,319</td>
</tr>
</tbody>
</table>
HOW DOES TYPE OF ENGAGEMENT AFFECT BEHAVIOR?

- Non-User: 30%
- Online Only: 32%
- Personal Coaching: 38%

Garnishments
- Non-User: 4.41%
- Online Only: 5.09%
- Personal Coaching: 1.93%

FSA/HSA Participation
- Non-User: $680
- Online Only: $872
- Personal Coaching: $1,202

Average 401(k) Deferral Rate
- Non-User: 5.93%
- Online Only: 6.44%
- Personal Coaching: 8.79%
HOW DOES FREQUENCY OF ENGAGEMENT AFFECT BEHAVIOR?

Average 401(k) Deferral Rate

Number of Financial Wellness interactions with a personal financial coach through 2018
HOW DOES FREQUENCY OF ENGAGEMENT AFFECT BEHAVIOR?

Employees that completed multiple assessments and the number of additional financial wellness interactions with a personal financial coach (as of 12/31/2018):

- **I have a handle on my cash flow**
  - Online Only: 71%
  - Light (1-2): 74%
  - Medium (3-4): 78%
  - Heavy (5+): 82%

- **I have an emergency fund**
  - Online Only: 46%
  - Light (1-2): 52%
  - Medium (3-4): 58%
  - Heavy (5+): 68%

- **I am comfortable with my debt**
  - Online Only: 55%
  - Light (1-2): 60%
  - Medium (3-4): 65%
  - Heavy (5+): 73%

- **I contribute to an HSA or healthcare FSA**
  - Online Only: 68%
  - Light (1-2): 75%
  - Medium (3-4): 79%
  - Heavy (5+): 83%

- **I am on track for retirement**
  - Online Only: 30%
  - Light (1-2): 39%
  - Medium (3-4): 49%
  - Heavy (5+): 58%

- **I am confident with my investment strategy**
  - Online Only: 49%
  - Light (1-2): 55%
  - Medium (3-4): 62%
  - Heavy (5+): 68%