White paper

Using voluntary benefits to improve employee financial wellness and your bottom line

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Employees today are stressed about their finances. When employees bring that stress to work and are distracted on the job, productivity suffers — especially when they take time out of their workday to deal with their financial problems. Consider these findings:

- Employee financial stress costs employers an average of $5,000 per employee per year in lost productivity.¹
- 7 out of 10 American workers say that financial stress is their most common cause of stress,² and almost half (48%) say they find dealing with their financial situation stressful.³
- 44% of employees worry about their personal finances during work hours.⁴
- 37% of HR professionals say that employees at their organization have missed work because of a financial emergency in the last year.⁵
- 59% of employers strongly agree that employees are less productive while at work when they are worried about personal financial problems.⁶
- Medical expenses for employees reporting high stress were $413 higher per year on average than for workers who reported not being under stress.⁷

To address the growing problem of financial stress in the workplace, employers across all industries are increasingly offering financial wellness programs. An integrated approach provides employees with assistance on the full gamut of well-being: medical, financial, social, and emotional pressures. In 2015, 93% of large employers created or expanded financial wellness programs.⁸ Now, companies of all sizes are following their lead, recognizing that financial stress like other pressures — medical, social, and emotional — can diminish employee well-being.

“**The ripple effects of financial distress are not borne by the employee alone. As any manager knows, focus is the key to a productive employee. But research has shown that employees distracted because of financial distress are less productive, less organized, and more likely to be absent from work. No employer can hope to run a thriving business if its employees are worried about their own finances rather than the business challenges they must overcome.”**

—Richard Cordray, Director, Consumer Financial Protection Bureau

**What is a financial wellness program?**

Financial wellness programs are most often designed to assess and support employees’ overall financial health. Rather than focusing on a single aspect of financial planning, such as retirement, financial wellness programs look at how all elements of employees’ financial lives fit together. The goal is to help employees manage their finances for short-term needs, while also saving for long-term goals and unpredictable expenses.
Reducing employees’ financial stress may improve productivity and slow the pace of rising healthcare costs. According to a 2014 Consumer Financial Protection Bureau report, studies have shown that those with higher levels of debt stress are much more likely to report that they suffer from headaches, severe depression, anxiety, and digestive tract problems, and often experience trouble sleeping and concentrating. The report also noted that surveys indicate one in five people report that debt stress had a high negative impact on their health.

The report concluded, “Since financial problems are an important stress factor, employers may be paying a high cost for employee financial stress, but do not recognize it because a large portion of that expense shows up indirectly as a healthcare expense.”

Reducing employees’ financial stress may help employers slow the pace of rising healthcare costs, because stress can erode employees’ overall health and well-being. When employees are under stress, their habits related to nutrition, sleep, and physical activity can all suffer, and they may delay or avoid going to the doctor.

Helping employees cope with daily financial stress and plan for the future may improve retention. Research shows that a majority of employees look to their employers for help managing their financial health through benefits offerings. By providing choices and improved risk mitigation as part of a financial wellness program, employers can help reduce employees’ financial stress and help individual employees meet their goals. Employees who receive support and education, and who have opportunities to enhance and protect their retirement savings, are better positioned to save for emergencies and protect themselves against financial risks.

By providing online or in-person employee financial wellness education and support, employers can:

- Enhance their employee benefits package
- Expand employees’ financial knowledge and literacy
- Help employees establish plans to reach financial goals
- Provide financial options to maintain financial health
- Foster employee engagement
- Demonstrate that the company cares about employees’ financial well-being
- Help reduce employees’ anxiety about financial concerns with education, tools, workshops, and financial solutions
- Improve retention
Consider:

- When workers struggle financially, they often turn to their retirement savings. Almost one-third of workers say they had to tap their retirement savings in order to pay for basic expenses within the past 12 months.  

- Employee retirement plan withdrawals not only jeopardize employees’ own retirement security, but can have a negative effect on the financial success of a company’s overall retirement plan.

Companies often consider financial wellness as the natural next step for employee assistance programs (EAPs) that support employees’ physical and mental health. Some companies have folded EAP efforts into health and wellness programs, and some have expanded EAP services to include financial counseling for employees who run into trouble managing their credit and debt or face a short-term crisis.

**Employees are asking for help, but employers must walk a fine line**

Financial wellness depends on many factors — earning a paycheck and saving for retirement are just the beginning. It can be overwhelming for employees to think about the big picture, and they often look to their employers for help. According to a 2015 study, 86% of employees want financial wellness programs from their employers.

Employee engagement is a key step to a program’s effectiveness. And, just as some employees have had concerns about wellness initiatives digging too deeply into their personal health status, they may also be concerned about their employers knowing too much about their personal financial situations. To achieve high engagement levels, educational programs must create an environment where employees feel they can safely and confidentially seek support, advice, and help.

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**Education fosters engagement, skills, and knowledge**

Education is an important part of many financial wellness programs. Most companies already educate employees about their 401(k) or other retirement plans, helping them understand the need to save and how to diversify their investments. Financial wellness education takes this a step further by helping employees develop knowledge, skills, and action plans to address their financial planning needs.

To be effective, programs need to help employees develop the skills to balance short-term needs against long-term goals and understand the downsides of taking loans and hardship withdrawals from their retirement plans. Employees also need to understand how their benefits programs can help them manage their financial risks.

**Voluntary benefits help employees avoid financial risk — and protect retirement assets**

Nearly three in four workers in the U.S. say that they live paycheck to paycheck. Throw in an unexpected event — such as a disability, accident, illness, or loss of life — and it can be very difficult for a family to continue to pay the bills and prepare for the future. Long-term pay gaps or even unexpectedly high expenses over a short period of time can derail an employee’s financial plan, even with company-provided basic life insurance and disability coverage.

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Accident insurance and critical illness coverage

For some employees, it makes financial sense to purchase another layer of protection for specific types of events. While not every employee has the need or financial means to pay for it, some do. Accident insurance provides coverage in the event of an accident, and critical illness coverage covers specified illnesses. In each case, covered employees receive additional money for lost income and out-of-pocket expenses like medical co-pays, deductibles, additional travel, childcare, and household help.

Disability insurance

While some companies offer only short-term or basic disability coverage, other options that replace additional income can help employees close financial gaps. A long-term disability often prevents an employee from continuing to save for retirement, or, even worse, an employee may need to tap into retirement savings to pay for current bills.

Adding supplemental disability coverage options can help employees keep their incomes relatively stable in the event of a long-term disability. For a small payroll deduction, disability coverage provides peace of mind and protects against large-scale financial losses. Studies have shown that access to disability insurance in the workplace saves as many as 575,000 families a year from slipping into poverty.

Life insurance

Loss of life of the primary wage earner during the working years has a huge impact on survivors. One-third of Americans believe that they would feel the financial impact from the loss of a primary wage earner within a month of the wage earner’s passing, and half believe that they would feel the impact within six months. Offering employees additional levels of life insurance — as well as spouse and dependent options — can help reduce financial risks and provide much-needed protection.
Voluntary benefits can help employees minimize financial risks related to:

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<td>Accident, critical illness, dental, vision, and hospital indemnity coverages can help fill gaps created by high-deductible plans and provide resources when faced with unexpected medical conditions.</td>
<td>Life insurance provides lump-sum money at death, while disability insurance replaces income lost due to disability.</td>
<td>Legal and long-term care coverages help employees with will preparation and planning for future family needs, while identity theft coverage helps protect employees from financial harm in the event of identity theft.</td>
<td>Pet insurance protects against high veterinary expenditures, discount programs allow employees to shop with discounts from online merchants, and employee purchase programs provides a systematic way to purchase needed items.</td>
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Summary

Employees are looking to their employer for help easing their financial stress; offering employees voluntary benefits may help mitigate financial risks. In addition, the strategy can help improve employee retention, reduce employee stress, increase productivity, and help maintain the value of an employer’s retirement plan by potentially reducing employees’ hardship withdrawals. Financial wellness education helps employees develop knowledge and skills to address their financial planning needs, while voluntary benefits provide the coverage.

How can we help?

To learn more about effective strategies for improving employee financial wellness, contact your local Wells Fargo Insurance sales executive.
Sources:


18. 16,000 HSA and 401(K) customers. Wells Fargo Institutional Retirement & Trust (IRT) Client Information and Analytics, September 2015.
