



Winning with Wellness

Can a financial wellness program reduce employee stress and grow your business?



A more human resource.™



Contents

Executive Summary	3
Research Findings	4
Financial Wellness Defined	5
Putting Financial Wellness On the Radar	6
The Right Resources Make All the Difference	8
What's On the Inside?.....	10
Ready, Set, Engage.....	12
Conclusion	13
Methodology	14
About ADP®	15
About SourceMedia	15



Executive Summary

As an employer, you have a lot on your plate. It might be hard to imagine carving out the time to research and implement a new employee benefit like financial wellness. But a financial wellness program can be a cost-effective way to attract and retain talent in a tightening labor market. And it can help your organization save money in the long run.

Many employees still haven't recovered from the last recession and are living paycheck-to-paycheck. Financial problems top the list of stressors for the majority of people¹ and for many, financial stress rarely stays at home. "Financial wellness is the number one stressor in the workplace and affects the financial health of both employer and employees," says one employer who participated in the survey. "It can be a significant distraction at work, draining employees' energy, zapping morale, and taking time away from their day-to-day responsibilities as employees deal with their 'money-worries'."

Financial wellness programs are designed to combat those issues. They help employees improve their retirement readiness, reduce their stress, and prepare for major life events. And they have important benefits for employers. Employees who have their finances under control can focus on their jobs and make meaningful contributions to the organization.

Employees say they spend an average of

**three hours
a week
at work**

dealing with their finances.² The result is lost efficiency and absenteeism—both of which impact your bottom line.

Research Insight:

"[Financial stress] can be a significant distraction at work, draining employees' energy, zapping morale, and taking time away from their day-to-day responsibilities as employees deal with their 'money-worries'."



¹ "Stress in America: The Impact of Discrimination," American Psychological Association (March 10, 2016)

² PriceWaterhouseCoopers, "Employee Financial Wellness Survey: 2015 Results" (April 2015)

Research Findings

To assess the appetite for financial wellness programs among employers and financial advisors, a research study, commissioned by ADP and conducted by SourceMedia/EBN, surveyed the two audiences in October 2015. The study sought to understand employers' interest in financial wellness programs and some of the obstacles that might prevent them from offering them.

The employer sample drew from 282 decision makers involved in their organization's employee benefits and reflects companies of all sizes and industries. The advisor sample reflects 289 financial advisors and Registered Investment Advisor (RIA) representatives offering or recommending a range of financial planning services, affiliated with firms of all types (e.g., national wirehouse, regional broker-dealer), with no assets under management requirement, and working with clients within a variety of industries and sectors.

While many employers acknowledge that a financial wellness program can have a positive impact on their workforce, only one in five currently offers it. However, more than a third (thirty-six percent) have a strategy or are considering it. The low adoption rate is largely due to a lack of awareness about what financial wellness is and how it can benefit employees.

Introduction

In this paper, we report the benefits of financial wellness for both employees and employers, lay out strategies for implementing an effective program, and provide information on how to tackle the obstacles you might encounter.

Key Takeaways from the Research

Financial stress can lead to **increased absenteeism, lower productivity, and higher health care costs.**

Employers are highly concerned about employees' **overall wellbeing.**

Lack of awareness prevents many employers from implementing financial wellness, even if they want to help employees with their money issues.

Employers can launch a financial wellness program by **integrating it** with other wellness or retirement readiness programs.

The right resources are crucial for having an effective program.

Financial Wellness Defined

Financial wellness can mean different things to different people. According to one employer in the survey, financial wellness means, “the ability to provide financial benefits or products to employees to improve their financial wellbeing.” But to another, it means, “having your bills paid and adequate retirement savings.”

Wellness and financial programs have been around in the workplace for quite some time. But financial wellness brings the two concepts together. For the purposes of this paper, we define financial wellness as a program designed to address and support an employee’s complete financial picture and improve their overall financial health. While retirement readiness is a key component, financial wellness

is much broader. It encompasses budgeting, debt management, financial literacy, insurance, estate planning, and college saving.

Key Findings

Financial wellness programs are more important than ever (Figure 1). The last recession and its slow recovery left many employees feeling economically vulnerable. Millennials—now the biggest generation in the workforce—are especially in need of financial planning. This generation is dealing with high student debt and low starting salaries. Gen Xers and Baby Boomers, meanwhile, are worried about growing retirement nest eggs large enough to sustain them through retirement.

FIGURE 1. EMPLOYER PERCEPTIONS OF FINANCIAL WELLNESS ARE VARIED

Q. How much do you agree or disagree with each of the following statements about workplace financial wellness? Rate each on a scale from one to seven where one is “Completely disagrees” and seven is “Completely agree”.

(Chart shows percentage selecting scores six or seven.)



n = Variable (Employers – excludes “don’t know” responses)
Source: Financial Wellness Study, SourceMedia Research, 2015.

Viewpoint

- ▶ Recognize that financial stress could be preventing your employees from focusing on their jobs.
- ▶ Tailor your financial wellness package to address the unique financial challenges faced by the generations of employees in your workplace.

Putting Financial Wellness On the Radar

While the majority of employers offer physical wellness and behavioral programs like smoking cessation or fitness coaching, the same can't be said about financial wellness. The survey found that only one in five employers has such programs available to their employees.

The low adoption rate (Figure 2) can be traced back to the lack of awareness. One employer in the survey says, "Honestly, it hasn't been brought to my attention," and another adds, "It is not on my radar."

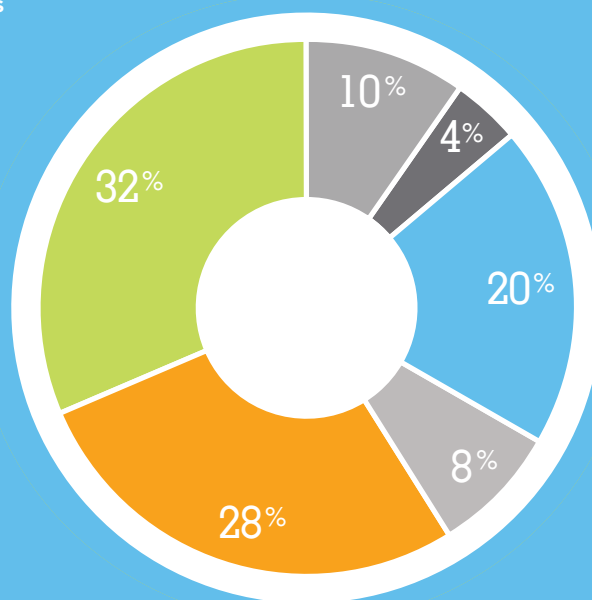
However, lack of awareness should not be confused with a lack of conviction in the importance of financial health. In fact, employers generally support aspects of financial wellness. For example, ninety-two percent of employers said they are interested in providing their employees with information about retirement planning basics; eighty-four percent said the same of retirement income planning.

As the chart below shows, employers recognize the importance of financial wellness even if they don't currently have a program in place. More than a third of employers either have a strategy or are considering adding a program to their benefits lineup.

FIGURE 2. EMPLOYERS ARE INTERESTED IN FINANCIAL WELLNESS, BUT ADOPTION IS LOW

Q. Which of the following best describes your organization's strategy and implementation of a workplace financial wellness program for employees? (Select one choice.)

- ☐ Currently implementing
- ☐ Have a strategy for offering - but have not started implementing it yet
- ☐ Currently considering
- ☐ Have heard about programs but are not considering one
- ☐ Have never heard of this type of program
- ☐ Don't know



n = 282 (Employers)

Source: Financial Wellness Study, SourceMedia Research 2015

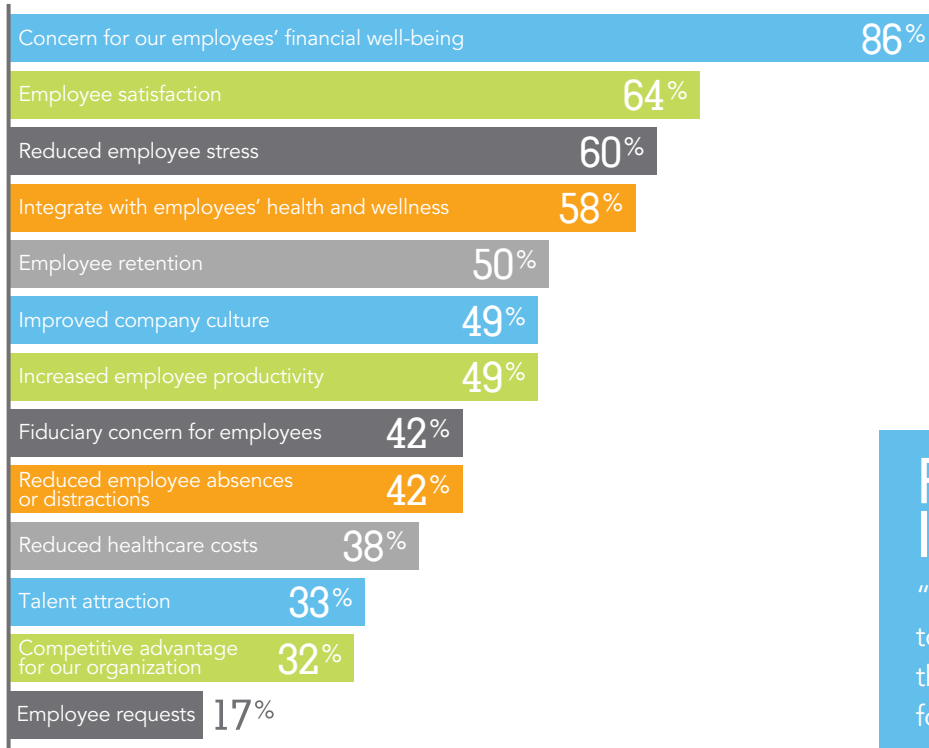
Employers cite

improving employee satisfaction (sixty-four percent) and reducing employee stress (sixty percent) as crucial goals for financial wellness.

FIGURE 3. EMPLOYERS ARE MOTIVATED BY CONCERN FOR THEIR EMPLOYEES

Q. What are your organization's objectives or goals for offering a workplace financial wellness program?

(Select one choice.)



n = 78 (Employers currently implementing the program or have a strategy)

Source: Financial Wellness Study, SourceMedia Research 2015

Research Insight:

"It costs an organization less to host wellness programs than pay increased premiums for an unhealthy organization," one employer surveyed noted.

The goals for financial wellness programs vary, but this research shows that the majority of employers (eighty-six percent) who offer them are motivated by a general concern for their employees (Figure 3). "We need to address all stressors employees are feeling," one employer surveyed responds. Adds another: "Most people have not saved for retirement or sudden health problems, and we need to figure out how to help them."

Employers also acknowledge that when employees have less financial stress, it's better for their business. These programs have been shown to improve productivity, reduce absenteeism, and lower health care costs. Some studies suggest that wellness programs may have a return of \$1.50 for every dollar spent.³

Viewpoint

- ▶ Get to work. Employees are looking for help in dealing with their financial stress. Show them that the workplace is a natural setting for financial literacy.
- ▶ Money well spent. The cost of wellness programs is recouped through productivity gains, less absenteeism, and reduced healthcare costs.

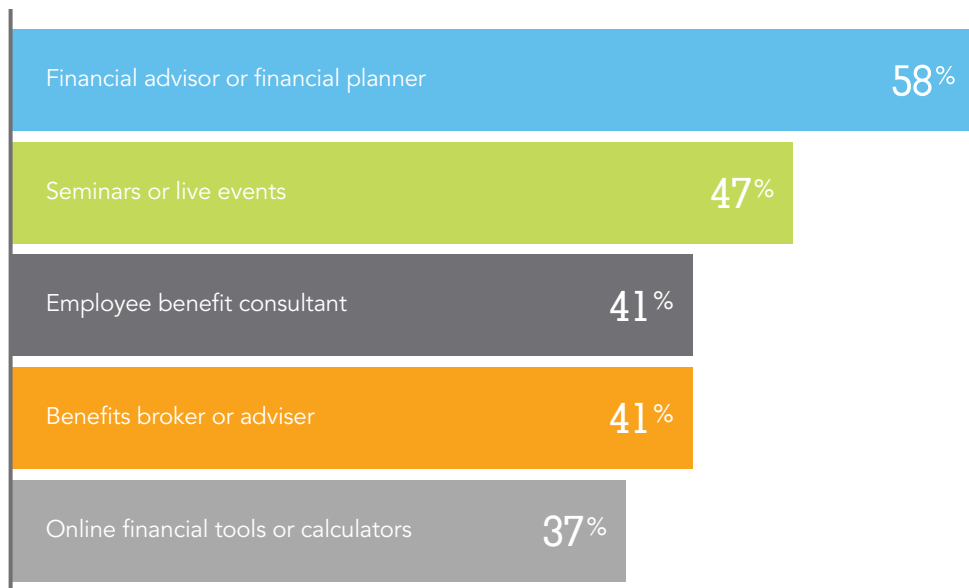
3 Source: RAND (2014), http://www.rand.org/pubs/research_briefs/RB9744.html

The Right Resources Make All the Difference

FIGURE 4. FINANCIAL ADVISORS ARE SEEN AS THE MOST EFFECTIVE RESOURCE IN ESTABLISHING A FINANCIAL WELLNESS PROGRAM

Q. Which resources are/were most effective in learning about or implementing a workplace financial wellness program? Select all that apply.

(Chart shows the five most common resources selected by employers.)



n = 78 (Employers currently implementing a financial wellness program or have a strategy)

Source: Financial Wellness Study, SourceMedia Research, 2015.

Viewpoint

- ▶ If you already work with an advisor for your retirement plan, ask if they support financial wellness programs.
- ▶ An advisor experienced in working with clients in your employees' demographic may be beneficial.
- ▶ Make sure you understand the advisor's fee structure.

If you're ready to explore financial wellness, you'll discover a wealth of resources to help you decide how to structure and execute your program, from online tools to live events to consultants and brokers. However, employers who have already established programs believe some resources were more effective than others (Figure 4). At the top of the list are financial advisors or financial planners who can help design the programs and offer ongoing management. Fifty-eight percent of employers rated financial advisors as the most effective resource for learning about or implementing a workplace financial wellness program, though forty-one percent of employers found benefits brokers or consultants to be beneficial too.

Good financial habits

have a positive impact on employees' overall financial health and positions them well for retirement.

Financial advisors are thought to be a good resource because they already provide many of the same services to their own clients. By offering a holistic perspective, advisors and planners can help guide individuals to better financial decisions over many years. Good financial habits have a positive impact on employees' overall financial health and positions them well for retirement.

A financial advisor may already provide guidance for your company's retirement plan, helping to educate your employees on retirement basics and long-term saving and investing. Financial wellness goes hand-in-hand with this effort. It gives employees the tools to make better financial choices and create strategies for long-term saving. In fact, of the financial advisors who work on financial wellness programs, two-thirds say financial wellness is a component of the retirement plan service they already offer.

Employers indicate several ways in which they work with advisors. Some employers engage them just in setting up the program while others turn over day-to-day management of the program to them; a good number do both.

Advisors see financial wellness as a value-add service and many will provide advice with no initial fee, charging later for additional services. Forty percent of advisors charge a flat fee and fourteen percent bill hourly.

Research Insight:

"All financial planning involves financial wellness," one financial advisor noted from the survey. "That is what we do for all clients."



What's On the Inside?

Research Insight:

"View financial wellness as a journey rather than a task. This approach allows you to roll it out in phases, based on the appetite and interests of your workforce," an employer says who participated in the survey.

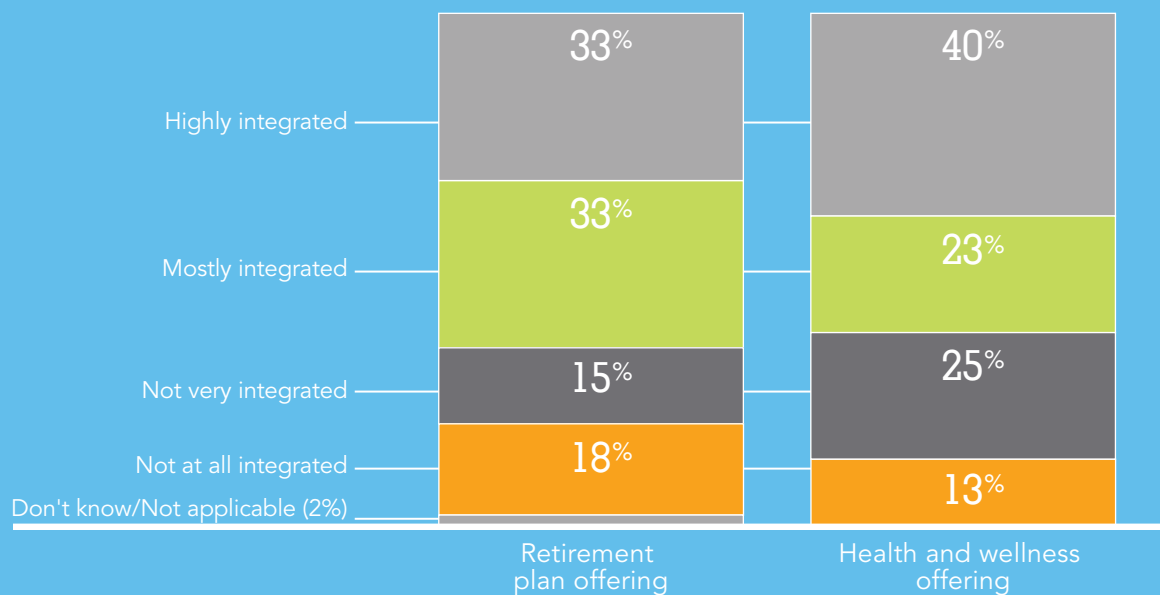
Because perceptions of financial wellness vary so much, the components of a program can too. However, for employers, a few items are must-haves. According to the survey results, eighty-six percent of employers who have a financial wellness program say personal finance such as debt management and budgeting are included and eighty-four percent say that retirement planning fundamentals are too. "Start with the basics," advises one employer surveyed. "Talk about budgeting and debt...then move on from there once there is a solid basic understanding of personal finance."

Integrating financial wellness into an existing benefit can be the easiest way to start. In fact, two-thirds of employers with financial wellness programs say theirs is either highly integrated or mostly integrated with their retirement or health and wellness offerings (Figure 5).

FIGURE 5. MOST EMPLOYERS INTEGRATE FINANCIAL WELLNESS WITH OTHER BENEFITS PROGRAMS

Q. How integrated is your organization's financial wellness program with its retirement plans and wellness offerings in terms of how the programs are managed and/or communicated to employees?

(Select one choice for each column.)



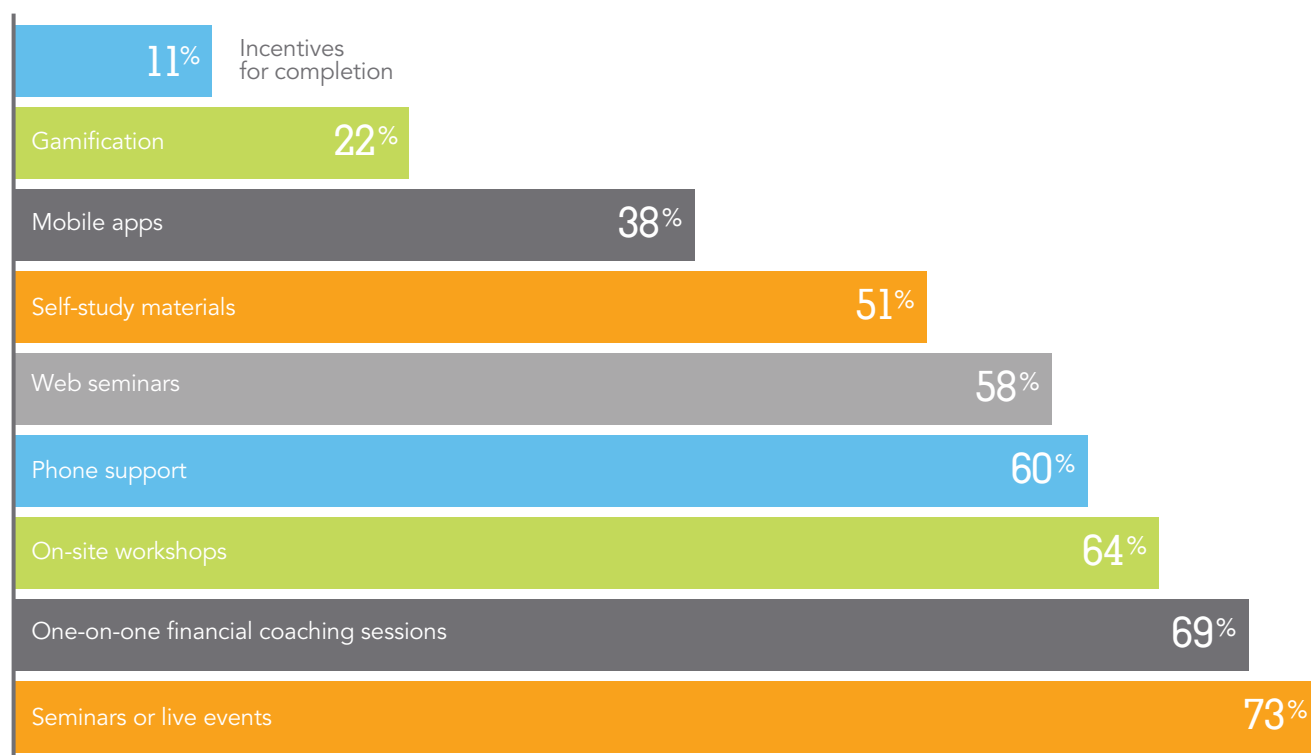
High-touch methods like seminars, one-on-one coaching and phone support **are most effective** for delivering financial wellness programs to employees.

Employers see high-touch methods like seminars, one-on-one coaching and phone support as most effective for delivering the program to their employees (Figure 6). Self-study guides, mobile apps, games, and incentives, though important, are believed to be less so.

FIGURE 6. PERSONALIZED, HIGH-TOUCH METHODS ARE MOST EFFECTIVE FOR DELIVERING FINANCIAL WELLNESS

Q. Which of the following does your financial wellness program provide to employees?

(Select all that apply.)



n = 55 (Employers currently implementing a financial wellness program)

Source: Financial Wellness Study, SourceMedia Research 2015

Reflecting employers' views about the importance of financial wellness, fifty-six percent say they pay the full cost of the program. Another twenty-two percent offer discounts on the service and eighteen percent share the cost with employees.

Viewpoint

- ▶ Get down to basics. Don't assume all employees are ready to tackle retirement and long-term planning right away. Many are struggling to pay down debt, create a budget, and take care of short-term needs. They need to be educated on the basics of financial literacy first.
- ▶ Use multiple channels of communication. Mobile apps and games are fun and interactive, but don't discount the value of one-on-one advice.
- ▶ Start now. If a financial wellness program seems too daunting, roll it out in phases as an add-on to existing wellness or retirement plans.

Ready, Set, Engage

Despite the interest in financial wellness, a number of challenges still stand in the way (Figure 7). One in four employers say that they do not offer financial wellness programs because they are focused on other aspects of their business, nearly an equal number (twenty-four percent) report they already have something similar through a third-party and fifteen percent don't have enough time or staff to implement it. "We have other priorities," one employer said who was surveyed. "We are still trying to develop and get people engaged in our health and wellness program."

Surprisingly, few employers (twelve percent) say cost is the reason they don't offer financial wellness.

FIGURE 7. A NUMBER OF CHALLENGES PREVENT EMPLOYERS FROM OFFERING FINANCIAL WELLNESS

Q. Why is your firm not currently considering a financial wellness program for employees?

(Chart shows open-end responses.)



n = 89 (Employers not considering a financial wellness program)

Source: Financial Wellness Study, SourceMedia Research 2015

Even when employers get on board and implement financial wellness, there are still challenges, most around communication and education. About half say that maximizing employee participation is their top implementation challenge. They also cite worries about assessing their employees' needs and educating employees about this benefit.

Viewpoint

- ▶ Start at the beginning. Financial wellness works best when it's presented at onboarding for new employees. It is seen as integral to employees' perceptions about their benefits.
- ▶ Start a dialogue. An employee survey can help you tailor your offering to the financial struggles of your workforce. For example, place heavy emphasis on debt management and financial basics if your employees skew younger.
- ▶ Make it fun. Games and incentives address personal financial with a lighter tone and make employees more relaxed about discussing their financial struggles.
- ▶ Opt for opt-outs. Few people take steps to opt out of programs, as the experience in 401(k) plans shows. Use this human behavior to boost participation financial wellness.

Conclusion

A financial wellness program can only be successful with employee buy-in. They must see it as something that will provide them with a tangible benefit. No one knows your employees as well as you, so you're best positioned to create a program tailored to their most pressing financial needs.

Even in an improving economy, many employees are still struggling with their finances. Many are one paycheck away from financial disaster. Unfortunately, financial stress often spills into the workplace, resulting in reduced productivity, increased absenteeism, and higher healthcare costs. Financial wellness programs, though still relatively new, are a cost-effective way to help employees manage their finances.

Employers recognize the financial stress their employees are under, and they believe they have a responsibility to help them address it. Since the workplace already plays an important role in educating employees about some aspects of finances and money, it's a natural setting for learning about a broader range of financial issues.

For a financial wellness program to work, it must address employees' unique struggles. Younger employees may need assistance with debt management, budgeting, and retirement basics while older employees may need help maximizing their retirement savings. And the program must also be delivered in ways that they want to interact, a combination of one-on-one coaching, seminars, and mobile apps.

Financial wellness need not be cumbersome to implement. It can be rolled out in phases by building on existing wellness or financial programs. And there are many resources you can turn along the way for help, including a financial advisor who can also design and manage the program and provide one-on-one coaching to employees.

As the research shows, employers want to alleviate their employees' financial stress. Now it's time to take the next step and consider financial wellness at your company—it's just good business.

Research Insight:

"We struggle with getting employees to attend our financial wellness events," one employer surveyed says. Adds another, "It's hard to get employees to participate."



Methodology

SourceMedia Research (a unit of SourceMedia, publisher of Employee Benefit News) conducted two online surveys in October 2015 of 282 employers and 289 financial advisors. The employer sample drew from Employee Benefit News subscribers who hold a managerial level or higher role at their organization and are involved in their organization's employee benefits. The employer sample reflects HR/decision makers in companies of all sizes. The advisor sample drew from Financial Planning subscribers who are involved in offering or recommending financial services to clients. The advisor sample reflects individuals working in firms of all sizes, offering a range of financial planning services, and working with clients within a variety of industries and sectors.



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