

# **Maintaining Financial Wellness**

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# Overview

- What is “Financial Wellness
- The Case for (and Against) Financial Wellness
- What’s Available (and Works...)
- Measuring Results



## What is “Financial Wellness”?

“Financial Wellness” is a “multi-faceted” concept that describes the overall financial “health” of an individual....\*

“Multi-faceted” means it includes many factors:

- Personal characteristics (personality, social status (age, marital status, etc.))
- Financial literacy (working knowledge of financial concepts)
- Financial behavior (financial planning, savings, investments)
- Financial situation (objective wealth)
- Financial stressors (debt, bankruptcy, job security)

\*The Metlife Study of Financial Wellness, Boston College Center for Work & Family, 2011

# What is “Financial Wellness”?

Contains both “**objective**” and “**subjective**” factors

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## How is “Financial Wellness” Related to “Financial Security”?

- “Financial Wellness” is about whole life financial well being....
- “Financial Security” is the end result of being financially healthy to, and through retirement.

*In other words...*

- Financial Wellness leads to being *more* financially secure – it helps ones manage their finances in a way that allows for a more secure financial future.

## Why is “Financial Wellness” a Concern?

“Financial Difficulties” (the lack of Financial Wellness) results in:

- Lower productivity
- Increased stress and the health “side-effects”
  - Stress related illnesses
  - Increased “health care” consumption
  - Increased absenteeism
- Decreased worker loyalty
  - Higher turnover/higher replacement & training costs
  - Increased employee theft/vandalism

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## What's on People's Minds?

**Insurance premiums Taxes**  
**Day care Car payments Food bills**  
**Water bill Electric bill Mortgage Credit**  
**card bills Rent Health care costs**  
**Investments Cable bill Phone bill**  
**Clothes Inflation**

**And, if there is time....**

**Getting their work done...**



# What's troubling ... ?

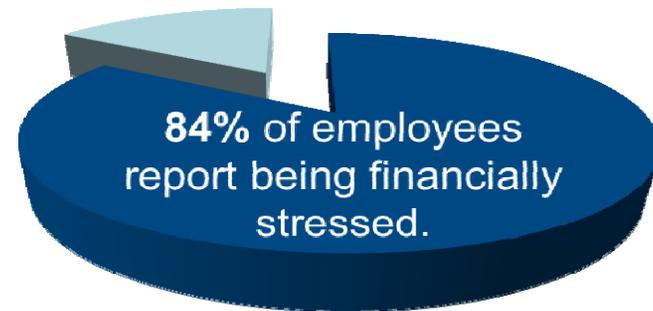
## People are concerned

- 36% feel confident that investments are allocated appropriately
- 17% know they are on track to retire

### Retirement



### Financial Stress Levels



- Financial stress is pervasive in the workplace

# Why is “Financial Wellness” a Concern?

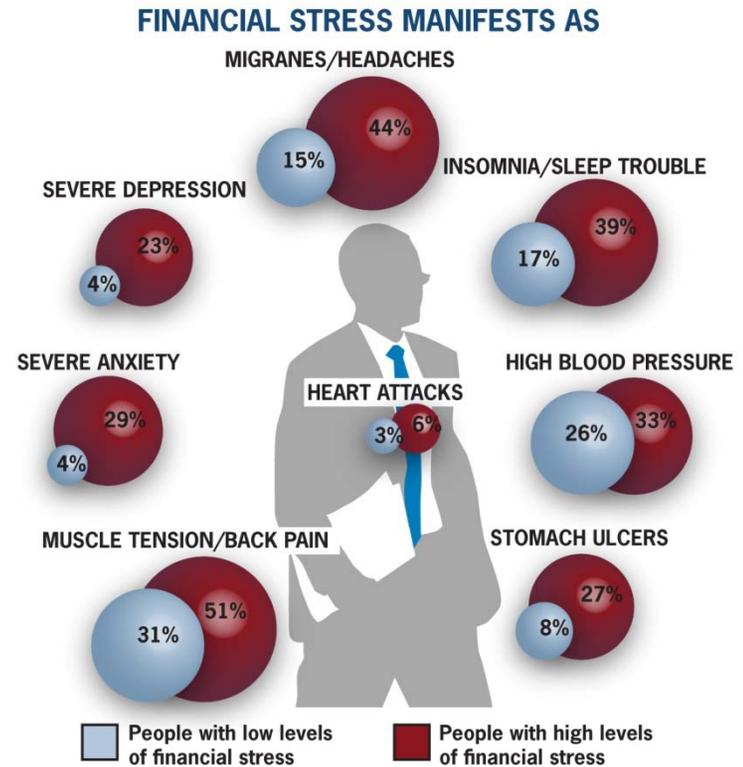
One of the Biggest Costs to Employers is the Cost of Financially Stressed Employees

## Employees Stress About Money

- People think more about money than health....
  - Financial stress is the #1 cause of stress-related illnesses<sup>1</sup>
  - 24% higher healthcare costs in people who are stressed about finances<sup>2</sup>

## Impact to Business

- Financial Wellness education helps reduce stress and healthcare costs among employees in a 2009 study<sup>1</sup>



AP-AOL Health Poll: Debt Stress: The Toll Owing Money Takes on the Body.

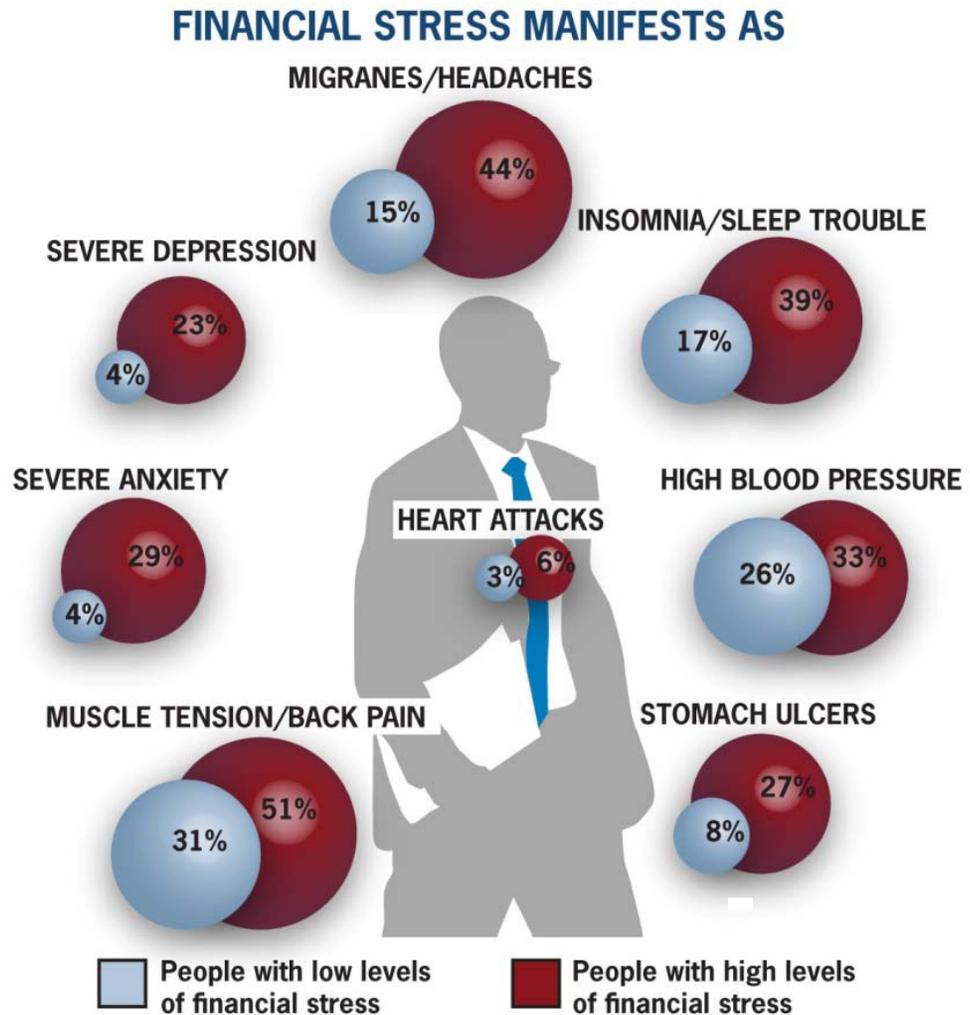
<sup>1</sup> Research Works: Partnership for Workplace Mental Health report. Feb 2009. More recent data may alter this assessment.

<sup>2</sup> Higher Health Care Costs for Metabolic Syndrome Risk, Disabled World, September 2009. More recent data may alter this assessment.

# Why is “Financial Wellness” a Concern?

## Measureable effects of financial stress:

- Increases in headaches, depression, sleep trouble, high blood pressure, anxiety, ulcers, muscle tension/pain
- Increased consumption of health care, increased health care expenses, ***increases in insurance premium costs***
- Reduced productivity, absenteeism and burnout



# What's on the Mind of Employers?

## In tight budget environments, helping employees prepare financially is a challenge

- **Only 4% of employers are very confident their employees will have adequate retirement assets<sup>1</sup>**
  - Down from 30% in 2011
  - 57% of employees ages 55+ have not used a retirement calculator to determine whether or not they are on track for an adequate retirement income<sup>2</sup>
  - 70% do not have the time, interest or knowledge to manage their retirement plan<sup>3</sup>
- **The online advice model is not getting traction**
  - Industry average of 10% adoption rate when offered professional investment advice/managed accounts<sup>3</sup>
- **Employers struggle to meet fiduciary challenges trying to keep in touch with separated employees**
  - A challenge that will compound with automatic enrollment

Sources:

<sup>1</sup> 2012 Aon Hewitt Employee Benefits Study: April 16, 2012, PLANSPONSOR.com

<sup>2</sup> Society of Human Resource Management, September 2011

<sup>3</sup> 401k Plans Under Pressure, Charles Schwab, Advantage 2011

# Why is “Financial Wellness” a Concern?

## Employees are concerned

- 64% are not confident that investments are allocated appropriately
- 83% know they are not on track to retire



## Measurable effects of lack of “retirement readiness:”

- Failure to “launch” into retirement
  - Decreased productivity
  - Decreased innovation
  - Decreased career opportunities for younger employees
  - Increased consumption of health care, increased health care expenses, increases in insurance costs to the employer

# Results...

Case Study:

Fortune 500 Company

**Started Financial Wellness Program in 2010**

Data collected at the end of 2012 for

**Users and Non Users of the Financial Wellness Program**



<u>Measure</u>	<u>Non-Users</u>	<u>Users</u>	<u>Financial Benefit</u>
Absenteeism	14.79 hours	10.80 hours	\$914,727.13
Garnishments	6.1%	4.9%	\$32,698.80
Flex Spending Participation	\$977.13	\$1,335.50	\$249,013.22
Avg. Annual Healthcare Costs	+\$206.50	-\$65.00	<u>\$2,466,034.50</u>
			<b>&gt;\$3.6 Million</b>

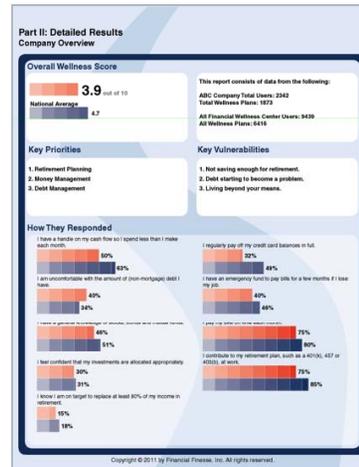
This example is for illustrative purposes only. Results may vary significantly based on individual company factors. This ROI study was conducted by a Fortune 500 company that uses Financial Finesse as its financial education provider. Study available online at [www.financialfinesse.com/research-best-practices](http://www.financialfinesse.com/research-best-practices).

# What Works?

## Three essential steps....



Wellness Assessment



Needs Identification



Customized Action Plan

## Implementing a process ....

- Define “financial wellness”
  - Goals and objectives
  - Company culture/personal culture
  - Educational opportunities and tools
    - Organization (Quicken, Mint, etc.)
    - Advisors
      - Personal financial planners
      - “Robo” tools (HelloWallet, Dave Ramsey, Financial Finesse)

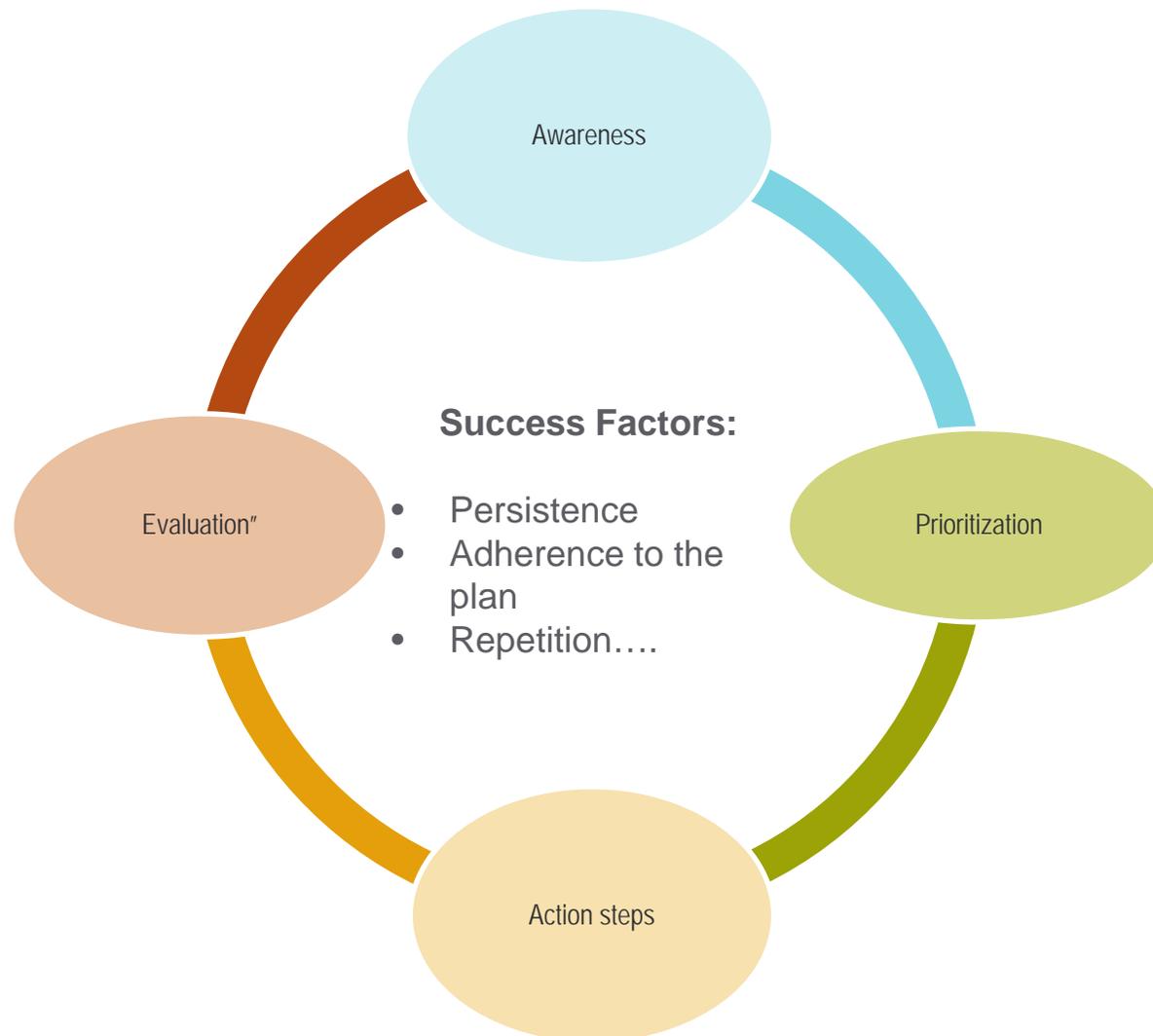
## Implementation ....

- Consider Demographics
  - Define the target audience
  - Understand your target audience's needs
    - Identify the needs/concerns of the employee population
    - Identify priorities and address these first based on your employees' financial literacy
  - Measure level of financial stress/financial sophistication
  - Measure your organization's level of financial stress

# Measuring Success

- Observable metrics
  - Measurable indicators
    - Debt reduction
    - Assets/net assets available
    - “Retirement” readiness
  - Individual behaviors
    - Health/health care consumption
    - Productivity
    - “Attendance” – being “present”

# CONTINUOUS MEASUREMENT



**Questions?**

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