



# Employee Financial Well-Being Pays Dividends for Employers

# Worry Less. Thrive More.

We get it: More than a third of us would have a tough time paying an unexpected expense of \$400. This data point, stated (and misstated) in more than a thousand 2014-2021 news features, frequently anchors employers' rationale for financial well-being programs.

Americans do, indeed, need to be better educated and more skilled when it comes to personal finance, but not just to afford an emergency expense. Most of us have the potential, with a little effort, to ease our worries while building on the happiness and confidence financial literacy and empowerment provide. A safety cushion is an essential start, but only part of the story.

## Financial Well-Being Defined

"Financial well-being 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 enjoyment of life."

Consumer Financial Protection Bureau (CFPB),  
Financial Well-Being in America

A person with financial well-being...

- **Continuously develops their financial literacy**; as CFPB points out, this includes:
  - *Knowledge*: Learning, finding, and using information to make sound financial decisions
  - *Behavior*: The capability and skill to put financial knowledge into action
  - *Personal traits*: the attitudes and beliefs – like perseverance, impulse control, and confidence – that regulate how knowledge influences behavior
- **Creates and implements a plan** to limit debt and grow assets
- **Is free from harmful levels of financial stress**
- **Maintains a financial reserve** to manage and recover from unexpected expenses and setbacks.





# Universal Need

Financial well-being — like other dimensions such as physical, mental, and community health — is important to each of us. After all, most Americans identify money as a major source of stress.

Enhanced financial well-being is an aspiration for those with diverse circumstances and in all stages of life — like anyone:

- Making decisions with major financial ramifications (for example, whether to buy or rent a home)
- Creating a budget, but not sure what to include
- Getting started investing
- Feeling burdened by debt
- Confused about healthcare coverage
- Planning to help fund a child's college education
- Saving for a car, home appliance, or other major purchases
- Struggling to pay bills
- Uncertain whether to have more (or less) insurance
- Wondering whether it's possible to earn more money
- Experiencing family conflict due to spending habits
- Unsure of financial solvency
- Approaching retirement
- Feeling unable to get ahead
- Seeking more control over life.

Even having sufficient resources and being on track to abundance won't assure confidence, especially if we recognize gaps in understanding personal finance.

# Employers' Stake in Financial Well-Being

An employer already providing the building blocks of financial well-being — like a fair wage plus retirement, healthcare, disability, and other basic benefits — still has much to gain by:

- Educating employees on the use of these resources
- Promoting other tools, information, and behaviors that advance well-being.

## Financial Stress Defined

“Financial stress is a condition that is the result of financial and/or economic events that create anxiety, worry, or a sense of scarcity, and is accompanied by a physiological stress response.”

Financial Health Institute and Lab

A Global Financial Literacy Excellence Center survey shows 53% of Americans experience anxiety from thinking about finances; 44% find discussing finances stressful. Those with lower levels of financial literacy tend to have more stress. In a Capital One study, 77% of respondents say they're anxious about their financial situation and 58% feel finances control their lives. High levels of financial stress — regardless of income — are associated with a harder time managing money.

Financial stress erodes emotional well-being, physical health, and relationships.

Adding to the case for financial well-being programs, however, the Capital One study suggests thinking about long-term financial goals, even for brief periods, starts to reverse the harms of this stress.



A Willis Towers Watson study reports financial stress:

- Disrupts productivity
- Undermines employee engagement
- Increases absenteeism.

A Prudential Financial study also shows significantly lower productivity and higher absenteeism rates, as well as more short-term disability, for financially stressed employees.

Healthcare costs and physical health are affected, too; an IBM Watson Health study reveals employees worried about money have higher:

- Medical and prescription drug costs — by 21%
- Prevalence of depression, anxiety, diabetes, and headaches/migraines.

Despite the risk of illness and associated costs, a PricewaterhouseCoopers study found financially stressed employees during the COVID pandemic more likely to avoid medical care due to cost.

The business case for financial well-being programs doesn't stop at productivity, engagement, and health. It overlaps with other concerns employers cite as their highest priorities, especially mental health as well as diversity, equity, and inclusion (DEI).

## Do financial well-being programs make a difference? Yes.

Analysis of 76 peer-reviewed studies — representing a sample size of 160,000+ from all walks of life — concludes financial well-being programs work, delivering “sizable effects on both financial knowledge and financial behaviors.”



# Mental Health

A study by Northwestern Mutual serves up good and bad news:

- On the bright side, 87% of surveyed Americans agree “nothing makes them happier or more confident in life than having their finances in order.”
- However, 44% name money as their top stressor, with more than 28% feeling depressed about finances at least monthly.

With employee mental health at the forefront of organizations’ HR strategies, the relationship between financial stress and mental illness demands our attention. A meta-analysis, for example, found debt significantly related to depression, suicide, alcohol use disorder, drug dependence, neurosis, and psychosis.

The UK’s Money and Mental Health Policy Institute confirms a self-perpetuating relationship between debt and mental health: Financial stress makes it harder to recover from mental illness, which in turn makes it harder to manage finances. Financial well-being programs, while no panacea, can help employees break this unhealthy cycle.



# Diversity, Equity, Inclusion

Social circumstances that often impede earning capacity of marginalized groups also limit opportunities to learn the information and skills needed to manage money. Black and Hispanic Americans, for example, correctly answered only 40% of questions on a personal finance survey, compared to 55% of white respondents.

It comes, then, as no surprise that while 60% of white Americans rate their personal financial situation as good or excellent in a Pew Research Center survey, 66% of Black and 59% of Hispanic Americans rate theirs as fair or poor.

Self-ratings also vary by gender: Among men, 58% rate their financial situation as excellent or good, compared to only 49% of women. Further, 63% of respondents with a disability describe their financial status as fair or poor, compared to 42% of those with no disability.

The Federal Reserve reports 64% of adults identifying as gay, lesbian, or bisexual say they're doing okay financially, compared to 77% of straight adults in a similar situation.

It's clear that a financial well-being program is essential for employers' DEI strategies — to improve knowledge, change behavior, and reduce stress for marginalized groups.



# Hard Times

While financial precariousness shouldn't be the sole driver of financial well-being programs, it can't be ignored. Consider the findings of a National Financial Capability Study:

- More than a third of 27,000 American survey respondents say they're "just getting by financially"
- 31% couldn't come up with \$2000 for an emergency, and nearly half have no fund set aside to cover 3 months of expenses in the event of income disruption
- Credit card debt, auto loans, student loans, and mortgages are all significant sources of stress and anxiety.

Northwestern Mutual's Planning and Progress Study states American adults have an average \$29,800 in personal debt, not including mortgages, with 15% convinced they'll be in debt for the rest of their lives.

The Federal Reserve reports 25% of non-retirees have no retirement savings, and less than 40% feel their retirement savings are on track.



# Barriers to Improvement

Approximately 20% of employees responding to a PricewaterhouseCoopers survey say they would wait for a financial crisis before seeking guidance. They may be reluctant to access support — professional assistance or educational programming — for several reasons:

- Feeling embarrassed about not knowing more or intimidated by the topic's scope and complexity
- Relying on a significant other's knowledge as a crutch
- Believing personal finance isn't relevant to them because they don't have savings
- Experiencing stigma about financial circumstances.



# Elements of Program Excellence

With foundational employee well-being elements — like solid compensation and benefits — in place, employers turn to vendors for financial well-being programs. So many self-proclaimed “solution providers” have entered the market, however, that purchasers are hard-pressed to sort the good from the bad.

To deliver an effective option, consider only a financial well-being program that breaks down barriers to improvement by being:

- Simple and appealing
- Enjoyable
- Encouraging
- Personalized
- Self-paced.

The best will:

- Offer vetted resources for participants who want to explore further
- Never promote commercial financial services and products
- Feature interactive prompts that spark new behaviors.

They advance participants along a continuum:

1. **Curious**, realizing there’s much to learn and that they’ll benefit from new information
2. **Educated**, informed about personal finance and able to synthesize lessons into individualized action plans
3. **Empowered**, having the self-efficacy to make the decisions and take necessary steps
4. **Activated**, creating and executing their plan toward financial security.





To encompass diverse needs, programs should allow them to delve — as deeply as they wish — into a comprehensive selection of subjects including priorities like starting an emergency fund; paying off debt; and saving for vacations and retirement. But they shouldn't stop there — other essentials include:

- Banking
- Budgeting and goal setting
- Buying a vehicle
- Financing for college
- Credit and debt
- Estate planning
- Choosing financial advisers
- Happiness and money
- Health insurance
- Housing: buy or rent?
- Income taxes
- Insurance: home, auto, life
- Investing
- Major purchases
- Making extra money

A program that meets the above criteria for program excellence should be a cornerstone of your organization's financial well-being strategy. Advantages will include greater security for employees — plus the far-reaching effects on productivity, mental health, and DEI that go along with it.



A man and a woman are sitting at a desk in a modern office setting. The man, on the left, is wearing a light blue button-down shirt and has a beard. The woman, on the right, is wearing a grey fuzzy sweater and has long blonde hair. They are both smiling and high-fiving each other. On the desk, there is a laptop, a coffee cup, and some papers. The background features a white brick wall and a window with a zigzag pattern.

**Right on the money**

# Now It's Easy to Get Employees *Right On the Money*

HES's *Right On the Money* achieves financial well-being program excellence through an immersive game that builds confidence.

Whether your employees are laying the foundation of a secure future, fine-tuning decisions as they approach retirement, or somewhere in between, *Right On the Money* lights up their path to financial well-being.

## **Learn More**

Watch the 1-minute video at [RightOnTheMoneyChallenge.com](https://RightOnTheMoneyChallenge.com) or call 800.326.2317 today.

