HOW YOUR ORGANIZATION CAN KEEP EMPLOYEES FINANCIALLY HEALTHY

With financial wellness a growing concern for employees, employers can support their employees through education, assistance, and flexible benefits.

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Financial Wellness is a Top Concern for Employees

Unsteady economic conditions over the last year have made financial wellness a top concern for employees. In fact, as of January 2022, only 44 percent of employees feel financially well, and since July, 50 percent of employees report to have taken action due to financial strain, including tapping emergency savings (21%), working additional hours (21%), looking for higher paying jobs (20%), and taking 401(k) hardships (6%).

According to a LendingClub report, **63% of Americans live to paycheck**, with just one-third having enough funds to cover a one-time, **unexpected $500 expense**. Of those earning more than six figures ($100,000), nearly **50 percent are reportedly living paycheck to paycheck**.

This financial strain has employees seeking financial wellness support from everyone—including their employers.

JANUARY 2022

Only **44%** employees feel financially well

JULY 2022

50% employees have taken action due to financial strain

21% employees used emergency savings

21% employees working additional hours

20% employees looking for higher paying

Top Financial Concerns

According to a new survey published by TalentLMS, only 5 percent of employees have met their financial goals. Inflation and insufficient income are the main obstacles preventing employees from achieving financial stability.

The inability to meet financial goals has caused mental health struggles and stress across all generations, with the **most affected** generation being **Millennials (66%)**, followed by **Gen Z (59%)**, **Gen X (47%)**, and **Baby Boomers (24%)**.

Combatting Inflation

Inflation is ahead of other financial obstacles for many workers. According to a recent survey from Schwab Retirement Plan Services, workers rank **inflation (45%)** ahead of other obstacles, including keeping up with monthly **expenses (35%)**, stock **market volatility (33%)**, and **unexpected expenses (33%)**.

Hence, inflation has caused workers to change their saving and spending habits, including altering their 401(k) investments. Inflation is at a historical high and not going away soon, affecting everything from utilities to travel to consumer goods. As of **December 2022**, the global **inflation rate is at 7.8 percent** year over year, with it forecasted to **drop to 6.5 percent in 2023** and then down to **4.1 percent by 2024**.

Saving for Retirement

Because of the financial hardships of the pandemic and inflation, nearly one-quarter of workers say they plan to retire later. Additionally, one-third of plan participants need to learn how long their savings are likely to last in retirement, while two-thirds said they expect their retirement savings to last 23 years on average.

According to an employee survey from Quicken, 48 percent of those who planned to retire in 2022 are reconsidering or putting their plans on hold. Even those who weren't planning on retiring are considering delaying their retirement even further; one-fourth of 58- to 74-year-olds are considering pushing their retirement out further than they originally planned.

Workers cited several reasons for this, including inflation, the decline in the stock market, and increased interest rates, all leading to the need to work longer. An additional factor is an impact on a partner's job or compensation, which workers feel they need to help fill in the gap.

Specifically, employees seek guidance on how to invest their 401(k) account, how much money to save for retirement, create an income stream in retirement, determine at what age they can afford to retire, and anticipate taxes in retirement.

Stronger Financial Wellness Benefits from Employers

In addition to retirement, employees want guidance on other financial wellness initiatives they might be struggling with, such as student loan repayment, covering emergency expenses, and healthcare assistance. Additional financial wellness benefits can include legal cost assistance, disability insurance, and more. These perks can assist employees with any financial concerns they might have.

Understanding Banking & Investing

Most employees are self-taught when it comes to navigating banking and investing. Educate your employees on the ins and outs of different account fees, the types of banking and investment accounts they can have, and understand their credit scores. Employees would also benefit from resources around building a financial life plan to help them reach their financial goals.

Navigating Social Security

Fewer than 4 in 10 employers say they offer Social Security-related support. Offering these tools, calculators, and educational materials can help employees get their questions answered about when to collect Social Security and its benefits. If your workforce has a significant percentage of Baby Boomers, consider offering company-focused meetings on Social Security to address benefits, updates, and changes, in addition to access to professionals to guide them through the process.

Employees Expect Financial Wellness Support From Their Employers

While employees want financial wellness support from their employers, employers also feel responsible for offering guidance to employees.

> ***According to the Bank of America Workplace Benefits Report, 80 percent of employees think that employers should support financial wellness, while 62 percent of employers feel they need to offer support to their employees.***

According to survey data from PlanSponsor's 2022 Participant Survey, 46 percent of those surveyed said their employer offers a financial literacy/wellness program, while 13 percent do not know whether their employer offers this option.

It's a win-win situation for employers and employees, as it can lead to greater job satisfaction and retention. Sixty-eight percent of employees state that they are more likely to stay at their current job if their employer offers financial wellness benefits. In addition, more than half (61%) are more likely to stay at an employer if they provide financial training and resources.

In terms of financial wellness benefits, retirement planning, investment programs, and emergency savings are the top three financial wellness benefits employees would like to receive from their employer.

Top Financial Wellness Priorities for Employees

Employees have several top financial priorities, including:

Saving for retirement

Paying off credit card debt

Saving for the unexpected

Paying off a mortgage

Buying a home

Paying off student loans

Paying healthcare expenses

Investing

Financial education and planning

Benefits of Offering Financial Wellness Support

Offering financial wellness support benefits employees and employers; employees get the help they need, while companies see more satisfied employees. Not only are employees more satisfied, but they are also more loyal to the company and more engaged in their work. Additionally, companies see greater employee productivity and stronger employee performance.

Don’t just take our word for it—96 percent of employees recently surveyed found their employer’s financial literacy or wellness program to be somewhat, very, or extremely helpful in improving their financial status and reducing financial stress.

For companies, financial training and support are low investment, high output benefits, and when combined with financial wellness products (FSAs, investment options, retirement contribution matching, etc.), create more stability and peace of mind for employees.

What Does Financial Wellness Support Look Like?

Financial wellness programs can take several different forms:

- **Digital content and resources**
- **Employer-hosted training and seminars**
- **One-on-one guidance from a financial expert**
- **Benefits offered to employees (401(k) matching, reimbursements, etc.)**

Often, companies have these financial wellness programs but don't communicate the offerings to employees, so they have no idea what benefits their company offers. You can't leave it up to employees to remember where to access financial wellness resources. Instead, prompt them to look at the information and take advantage of benefits through communications over Slack, Teams, email, mailers, etc.

Examples of seminars or resources could be:

- **A seminar on banking and investing, where a financial expert shares information on different accounts, fees, credit scores, etc.**
- **A pamphlet with clear explanations of retirement plan options**
- **One-on-one consultations with financial planners for personalized advice and recommendations**
- **Tools and calculators to help determine when to begin collecting Social Security**
- **benefits**
  Access to digital financial wellness programs to track finances and overall financial goals

Financial Wellness Benefits
You Can Offer to Employees

Financial wellness programs can take several different forms:

- **Employer-sponsored retirement accounts and contribution matching**
- **Life insurance plans**
- **Disability insurance**
- **Emergency savings funds**
- **Student loan assistance**
- **Financial education and planning**
- **Family-related financial assistance**
- **Education costs**
- **College fund assistance (529 plans)**
- **Home buying or rental assistance**
- **Legal assistance**
- **Healthcare costs**
- **Safety net insurance**
- **Reimbursements for commuting costs, childcare, etc.**

Financial Wellness Checklist for Employers

- [ ] Gather demographic data on your workforce and survey them to figure out what financial wellness benefits they would leverage the most
- [ ] Create a personalized financial wellness program to meet the needs of each generation in your workforce
- [ ] Develop a strong communication strategy to share information with employees and put all of the information in one centralized location for access
- [ ] Financial wellness is just one part of overall wellness, so consider expanding your programs to help support overall wellbeing
- [ ] Provide the latest tools and support, such as financial literacy, coaching, and mentoring
- [ ] Be flexible with your program and change it as economic conditions and employee demands change

Provide Financial Wellness Support for Your Employees

The demand for financial wellness isn't going anywhere in 2023. If anything, there will be more pressure on employers to provide financial wellness support for their employees. Increase employee satisfaction and morale by helping your employees out where they need it the most by offering financial education, benefits, and assistance.

The PTO Exchange platform enables employees to self-direct their unused PTO into causes that contribute to overall financial wellness. This includes exchanging unused PTO for 401(k) contributions, helping pay off student loans, and cash withdrawals to use in an emergency.

If you're interested in learning more about the PTO Exchange Platform and how we're helping organizations across the country better financially support their employees, schedule a demo today.

Schedule a demo

Resources:

- https://finance.yahoo.com/news/survey-reveals-78-employees-desire-150000609.html?guccounter=1
- https://www-cnbc-com.cdn.ampproject.org/c/s/www.cnbc.com/amp/2022/10/24/more-americans-live-paycheck-to-paycheck-as-inflation-outpaces-income.html
- https://www.experian.com/blogs/ask-experian/financial-wellness-benefits-your-employer-might-offer/#:~:text=Today's%20financial%20wellness%20benefits%20include,to%20boost%20your%20financial%20health.
- https://www.obsidianhr.com/5-financial-wellness-benefits-employees-want-most/
- https://www.plansponsor.com/research/2022-participant-survey/
- https://business.bofa.com/content/dam/flagship/workplace-benefits/id20_0901/documents/2022-WBR.pdf