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An Inclusive Approach to Setting (or Resetting) a Financial Wellness Program

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Warren Cormier, with the DCIIA Retirement Research Center, discusses how financial wellness programs can evolve to better engage employees and address their present-day realities and concerns.

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The ongoing coronavirus pandemic is shining a spotlight on an issue that has long been common knowledge in the financial industry—Americans in general are not saving enough for either near-term emergencies or for retirement. In addition, near-term shocks affect longer-term savings as workers seek to withdraw or take loans from their defined contribution (DC) retirement plan accounts to address emergency expenses. Enter the holistic perspective offered by financial wellness discussions and programs.

This is not a new topic. However, existing financial wellness programs may need to evolve to better engage employees and address their present-day realities and concerns. In its 2019 Employee Financial Wellness Survey, PwC notes, "While some studies show that upwards of 80% of employers report having a financial wellness program in place, the results show that a majority are still traditional retirement education and planning programs lacking focus on the key areas causing employee stress. As a result, a failure to address some of the more immediate financial concerns may actually undermine efforts to better prepare employees for retirement."

Implementing and Evolving the Financial Wellness Program

In "A Financial Wellness Primer," DCIIA defined financial wellness for the employee as "the ability to meet ongoing financial responsibilities while following a plan to create a secure financial future." Financial wellness programs support individuals by incorporating:

- Personal characteristics, including both demographics and personality factors;
- Financial literacy, in order to make the most appropriate financial decisions;
- Financial behaviors, such as budgeting, saving and investing;
- A person's current financial situation (i.e., debt, accumulated savings, home ownership, salary, insurance, etc.);

- Contingent financial stressors, such as college and medical expenses or temporary loss of employment; and
- Retirement readiness.

For those organizations new to financial wellness, publications from Benz Communications and State Street Global Advisors and the Consumer Financial Protection Bureau offer helpful, step-by-step frameworks. Some of their key points include:

- Define financial wellness for your organization and identify internal challenges and concerns;
- Understand your unique workforce;
- Explore established and emerging solutions;
- Build a business case;
- Leverage existing benefits and resources; and
- Establish metrics for success.

Revisiting those frameworks when reassessing an existing financial wellness program might prove useful, as well. In addition, employers seeking to update their wellness programs might consider surveying employees to uncover their current priorities, concerns and areas where education is most needed. Other ideas include combining financial wellness reminders and information with annual enrollment communications as well as leveraging newer technologies. This might include using artificial intelligence (AI) and robo-advisers to facilitate access, personalization and effective communication—but retain a human element. Most studies show people prefer a combination of the two.

Inclusive and Targeted Financial Wellness Programs

Today's financial wellness programs should proactively consider the needs of traditionally underserved workplace populations. In its "Special Report: Optimizing Financial Wellness Programs for a Diverse Workforce," Financial Finesse notes, "A disproportionate number of employees in the 'struggling' and 'suffering' categories of financial wellness are from groups that exhibit the cycle of low financial wellness most frequently: African American and Hispanic employees." (These findings are supported by, among other sources, data found in Prudential's 2018 Financial Wellness Census.)

The Financial Finesse report goes on to suggest the following targeted ways to improve financial wellness for African American employees:

- Provide trustworthy financial coaching and resources that are free of conflicts of interest;
- Offer "reality checks" so employees can evaluate the consequences of financial decisions before they are made;
- Offer multigenerational financial education programs; and
- Enhance benefits offerings and communications for caregivers.

Similarly, the report suggests the following specific ways to engage and support Hispanic employees:

- Develop targeted communication programs around the diversity of the Hispanic workforce;
- Extend financial wellness benefits to family members;
- Offer basic education on retirement planning and investing; and
- Encourage Spanish-speaking employees to include loved ones in workshops and consultations.

Women also face unique challenges including issues of pay inequity, glass ceilings and caregiving responsibilities. In the aforementioned PwC survey, it was noted that "only 30% of women say their compensation is keeping up with their cost of living as compared to 43% of men." The Women's Institute for a Secure Retirement (WISER) offers the following suggestions to help educate women about financial wellness:

- Offer innovative ways to save for retirement for part-time workers and workers without an employer-provided savings plan;
- Provide education about planning for contingencies such as caregiving, death (widowhood) and divorce;
- Create opportunities for access to an emergency savings fund; and
- Consider the effect of various forms of insurance on retirement planning.

These targeted pointers for supporting specific employee demographic groups may have the add-on effect of being beneficial to a wider cross-section of employees as well.

Some of the challenges facing employers in setting up financial wellness programs include identifying appropriate measurement metrics and considering employees' unique circumstances and goals. Some employees may be reluctant to provide detailed, personal information to their employer or unable to recognize the value of financial wellness. Employers may also struggle with fiduciary, data security and ethical concerns, and may have questions about how a financial wellness program will benefit their organization.

Countering those concerns, however, is the fact that financial wellness programs are intended to improve financial well-being, which, according to the Consumer Financial Protection Bureau is "determined by the extent to which people feel that they have control over day-to-day and month-to-month finances, have the capacity to absorb a financial shock and are on track to meet their financial goals." Improvements in this area—which are demonstrably needed by the majority of Americans—may result in less stressed, more productive and loyal employees who are better able to contribute to the organization's goals, initiatives and bottom line.

The DCIIA Retirement Research Center will be conducting research on the financial wellness topic as part of its "Minding the Gap(s)" research pillar, which examines aspects of the retirement savings gap among America's workers. We look forward to working with our members on this research and sharing the results with the broader industry.

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