

Financial Wellness:

Why It's Key to
Diversity, Equity
and Inclusion.


Meghan M. Biro



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A large, abstract white line art design on a yellow background, consisting of several overlapping circles and arcs that create a complex, geometric pattern.

“ Diversity, inclusion, and equity aren’t just a satellite discussion in the world of work anymore. They are the essence of a great workplace and the key to engagement. When everyone is included and supported for who they are, that’s a work culture that will flourish and thrive — and drive the business success of the organization. ”

– Meghan M. Biro



2020 WAS A YEAR LIKE NO OTHER

**In this way,
COVID-19 has
exposed the
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wellness.**

Introduction.

2020 was a year like no other. The pandemic wreaked havoc on the world of work, sending businesses into survival mode and taking a tremendous toll on employees. For many workforces, it triggered a pivot to remote working and relying on digital tools and platforms. It's a shift that presented employers with new challenges around how to support and engage employees during unusually difficult times. And it unearthed wide-ranging disparities among different populations.

In the new digital and virtual work environment, many employees are challenged to balance the dual responsibilities of work and life in new ways, and this has had an impact on engagement. It is difficult to be productively engaged when under the incredible stress of a health crisis, let alone a financial one. And for some employees far more than others, the struggle to navigate the pressures of daily jobs and lives — and to stay afloat — has exposed some telling fault lines. Financial wellness — the ability to control, stabilize and grow one's finances not only day-to-day, but for the future — and at times, the lack thereof — has become a key stress point in many cases.

In this way, COVID-19 has exposed the importance of employee wellness — not just physical, but also emotional, mental, and financial — as never before. It has revealed just how important it is for employers to support the well-being of their employees — and how every facet of well-being has a marked impact on engagement at work.

A Reckoning

2020 was also marked by a national reckoning with the need for true diversity, equity and inclusion. The rise

of Black Lives Matter spurred a national conversation long overdue around the importance of diversity, equity, inclusion and belonging — and that certainly extended into the workplace. We saw how remote work and remote schooling not only affected working families and parents, but also exposed clear disparities between those with solid resources and a safety net, and those without. COVID-19 and its economic and workplace shifts placed an increased burden on women, on people of color, and on other underrepresented groups.

At the heart of the need to better engage the whole workforce — including people of color and underrepresented communities — is an essential need to support their ability to meet financial challenges, such as managing debt and building credit, saving for the short and long term, planning for retirement, and growing wealth for future generations. For employers, that includes acknowledging the dynamics that disenfranchise them, such as financial literacy. It means enabling and empowering them to build their own financial stability and navigate their financial needs with confidence.

In a recent study published by SHRM,¹ more than 8 out of 10 employers said they see the link between financial wellness and more productive and engaged employees. Yet too many have been traditionally left out of financial wellness programs. Bringing them to the table means enabling them to break free of the stress of trying to better survive, manage and save without a plan in place — so they can focus on staying engaged and productive, be a thriving and contributing member of their team, grow their career, and provide for their family's future.

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Chapter One.

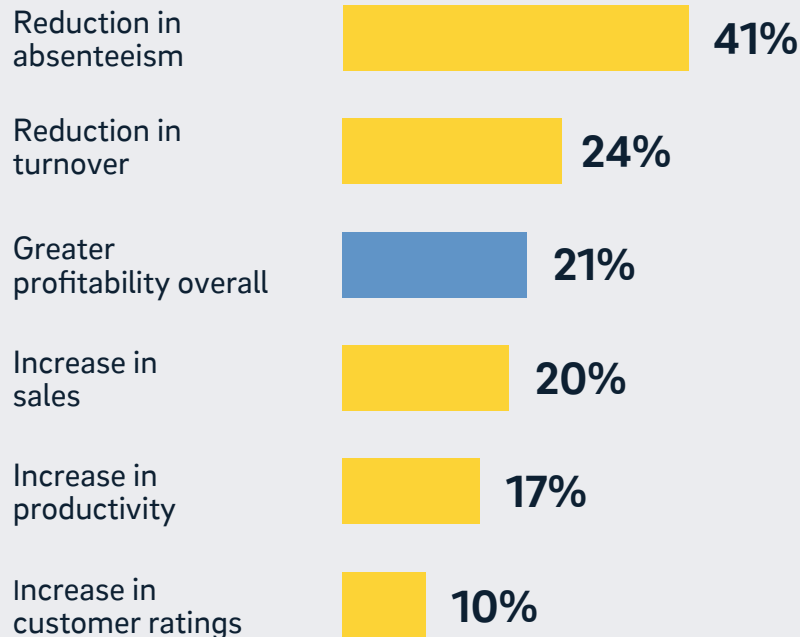
Engagement, Well-Being, and Inclusivity.

There's no question that employee engagement is critical to business success. A meta-analysis by Gallup found that business or work units that score in the top quartile of their organization in employee engagement are nearly twice as successful — in financial, customer, retention, safety, quality, shrinkage and absenteeism metrics — as those in the bottom quartile.

Organizations often focus on managerial tools to boost employee engagement — such as collaboration apps, surveys, or feedback and recognition platforms.

We look at how to boost engagement within a narrow lens: that of an employee's motivation to dive into their role; to expend more time and energy; to align with the organization's own mission, purpose and goals; to collaborate with others. Engaged employees find meaning in their work — and understand its importance in the world and to their own individual values and goals. All of those characteristics are true, to be sure, and worthy components of any engagement program. But there's a lot more to the picture.

Highly engaged businesses see²:



Engagement isn't just about work. It has to do as much with the highs and lows an employee has in their life as the nature of their job and the work culture they're a part of. It hinges on personal as well as professional well-being — and that relates directly to the inter-connected and often interdependent issues of physical, emotional, mental and financial health.

Therefore, we need to focus on the foundations of employee engagement as well — and the factors that erode it among individual employees.

Engagement is About Inclusion

Framed within the context of diversity and inclusion, another element emerges. It can be even harder for underrepresented groups to achieve a sense of well-being especially right now — given the ravages of the pandemic, the inequalities of remote and digital access, the responsibilities and pressures of child-rearing and caregiving with less support, and more.

It can be even harder to feel that sense of belonging that unites a remote workforce when not everyone has the tools they need or feels included in the overall work culture. And that sense of not feeling a full part of the team undoubtedly erodes engagement as well.

But when an employee is part of a truly inclusive, diverse work culture, the metrics on engagement — and performance — inevitably rise.

While engagement and well-being are often presented as going hand in hand, the truth is that without well-being, engagement can't be sustained.



In team-based assessments, inclusive teams outperform their peers by **80%**.³



When companies have more women on the board, they statistically **outperform** their peers over the long term.⁴



Inclusive teams make better business decisions up to **87% of the time**.⁵



Ethnically-diverse companies are **35% more likely** to outperform their peers, and gender-diverse companies are **15% more likely**⁶ to outperform their peers.

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Chapter Two.

Inclusivity and Financial Well-being.

For employers, seeing inclusivity and diversity as an essential part of a culture of wellness will have a powerful boost on engagement.

You can't have an engaged workforce without focusing on wellness, but you can't have a wellness culture if you don't foster inclusion and diversity.

On a fundamental level, wellness *is* inclusiveness.

True diversity, equity and inclusivity in a workplace, in other words, extends well beyond just the functions of daily working. It recognizes that equality has to occur across the board; that it isn't just about recruiting, hiring, or development; it's also about access to benefits and programs that help create a sense of safety and security. It means that the employees from non-dominant cultural or social backgrounds are given the same tools and opportunities as those from traditionally dominant ones — but beyond that, accommodations are made to ensure they can leverage those tools and resources with confidence.

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In a truly inclusive work culture, all employees:

- ✓ Can bring their whole and authentic selves to work.
- ✓ Can feel that they belong — are a welcome member of their workgroup, their team and the workforce itself.
- ✓ Feel respected and that their uniqueness is valued.
- ✓ Feel emotionally safe and supported at work.
- ✓ Are invited and empowered to contribute to work processes, including decision making and operations.
- ✓ Have just as much a chance for growing their careers as anyone else.
- ✓ Know their individual needs and/or challenges are recognized and accommodated.
- ✓ Have not only access, but an understanding of how to use resources and training for well-being.
- ✓ Know their individual life experiences and life situations are valued and supported.
- ✓ Have just as much a chance to create a future for their loved ones and children as anyone else.

Closing the Gaps.

Financial wellness has been one of the most fundamental stress points exposed by 2020. Since the COVID-19 pandemic hit in early 2020, 63% of Americans and 64% of millennials said they were living paycheck to paycheck according to a recent survey.⁷

In terms of savings, many could not achieve any: about 42% report taking on more debt than they normally would to cover day to day expenses.⁸ If faced with a \$500 emergency, 82% say they would not be able to cover the cost. 47% say their emergency savings has run out, and 67% regret not having enough emergency savings before the pandemic hit. More than a quarter of survey respondents say they've accumulated more than \$10,000 in new debt since the pandemic started.⁹

But the shockwaves hit women and people of color even harder. According to April 2020 research by Pew, 73% of Black and 70% of Hispanic adults (versus 47% of white adults) said they did not have emergency funds to cover three months of expenses.¹⁰ Further, most Black and Hispanic adults who lacked financial reserves also said they did not have any kind of viable options for covering those expenses — such as dipping into long-term savings, selling assets, or borrowing money.

Women are even farther behind, as recent research shows: a TIAA and George Washington University annual study found that women could only answer 49% of a series of financial literacy questions, as opposed to men — who answered 56%. And in terms of demonstrating a high level of financial understanding and knowledge, only 12% of women did, versus 27% of men. Among the issues noted in the research were confidence — women answered “I don’t know” to a quarter of the questions.¹¹ In a year of acute financial pressures, it’s not the time to learn by doing — and potentially making expensive mistakes.



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Chapter Three.

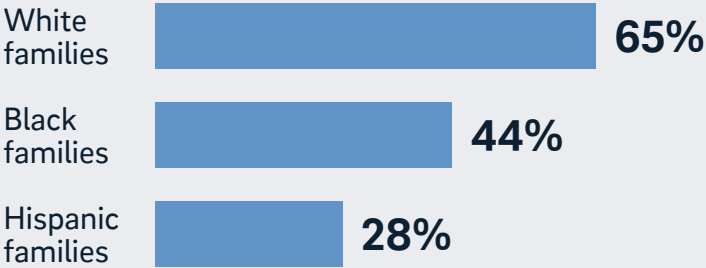
The Power of Financial Confidence.

Financial confidence gives employees the sense of security and peace of mind, undoing the cycle of stress and pressures around money that can erode engagement and focus. But since the pandemic, financial confidence has plummeted. A recent report of retirement plan participants found that financial stress has surged — from 44% pre-pandemic to 67% after the outbreak.¹²

A common thread is the sense of being at sea with what decisions to make to better secure present as well as future finances — from how to scale back rising credit card debt to not being able to save enough to safely retire.

Numbers indicate that the historic wealth gap has not gone away: as of 2019, according to the Federal Reserve, on average white families have accrued eight times the wealth of Black families and five times the wealth of Hispanic families. The research points to telling social disparities: white families tend to receive more gifts or inheritance from family or friends. Further, Black and Hispanic families are far less likely to have retirement accounts. Among middle-aged families, 65% of white families have at least one retirement account, compared to 44% of Black families, and just 28% of Hispanic families.¹⁴

Percentage of families with a retirement account by race.¹⁴



Pessimism about the state of the economy reverberates — from fear of losing a job to simply not having enough to get through the month. Most everyone is looking for answers — and increasingly looking to their employers for support. As the study found, a full 75% believe a financial wellness program sponsored by their employer would greatly reduce their financial stress. And 90% said they felt it was important for employers to offer financial wellness programs — though 39% said they weren’t sure if their employer offered one.¹³

Ensuring that underrepresented populations feel included in the whole range of financial planning and investment education and offerings is a vital step in closing the gap. It’s also a highly effective way to ease some of the financial stress that can lead to disengagement. Recent data by PWC found that among employees today, finances remain the top source of stress.¹⁵

Democratizing Financial Wellness
The best practice regarding financial wellness now is to offer a holistic financial wellness benefit to your employees— that encompasses financial strategies from all angles and respects that not everyone is going to have even the same level of understanding that spurs common financial decisions. In other words, this is a democratized financial wellness program that encourages participation, increases access and empowers confidence. In terms of the essentials, it entails:

Education



That starts with “101” basics and provides employees with a route to continue to grow their financial knowledge. This may include everything from microlearning components that can be done in a spare few minutes to meatier webinars, quick tips to on-demand tutorials.

Advising



That includes both digital and human advisory services, providing maximum access — from chatbots to face-to-face resources — to employees, with connections to highly experienced advisors held to the fiduciary standard — without requiring extra fees or outside-the-plan arrangements.

Comprehensive Solutions



That extend well beyond the traditional 401(k) plan or group life insurance — and connect the network of advisors, services and products so each is part of an overall approach that helps employees view their finances as a total strategy. This creates a far more inclusive sense of opportunity for those who may not be ready for a 401(k), for instance, or have other priorities to tackle. It meets the needs of a far broader range of life stages and financial objectives — offering everyone a seat at the financial planning table that is comfortable and relevant to their own situation.

An Empathetic Approach



That doesn't just try to “sell” packaged financial products to employees, but seeks to meet their needs at all levels — including emergency savings, student loan debt, budgeting concerns and improving credit in order to apply for a mortgage. This sense of compassion and inclusion is key to incorporating financial wellness into a commitment to diversity, equity and inclusion. And again, knowledge is primary: with knowledge comes power — and the confidence to participate in financial planning, management, and investing to turn wages into long-term wealth.

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Chapter Four.

Three Use Cases.

Let's take a look at three different examples of how a financial wellness program can better address issues of diversity, equity and inclusion.

#1: The Problem

Employees from underrepresented backgrounds are left out of financial education.

Not everyone has the same story when it comes to money, or was raised the same way. When financial education doesn't take these differences into account, the result is that employees from underrepresented backgrounds are left out — and that can lead to a whole range of challenges, including low engagement, discouragement, disconnection, resentment and increased financial stress.

It may be unrealistic to expect someone who has grown up without any sense of wealth-building, let alone extra money to save, or a sense of the skills and knowledge involved in financial planning, to suddenly want to learn how to choose an index fund or pick between a traditional or Roth 401(k).

Improving returns on investments may seem like a different language to someone who is scrambling to simply keep money in the bank — or, even if they are enjoying increased earnings, have no reference points as far as investing approaches.

It's also a question of perspective, and experience. Everyone experiences the subject of money differently.

Financial education that is simply factual without context leaves too many experiences out.



#1: The Solution

Shape financial education to accommodate different perspectives, experiences, and conceptions of money.

Consider the psychological and emotional underpinnings of how employees from underrepresented backgrounds may consider money. Start looking at their stories and their family's money story. Look at the way money was presented as they grew up. It may have been associated with unattainable goals and extraordinary lifestyles. It may have been seen as an unhealthy obsession or an impractical daydream.

To shift that belief system is critical — everyone should have access to the education they need to grow their finances. And everyone should be able to see that they can — and should — be able to build generational wealth for their children and their children's children.

It's not enough to be offering planning to a diverse population. The planning needs to be inclusive of their unique perspectives and experiences as well.

#2: The Problem

Financial advisors and employees do not share the same demographic, resulting in a lack of immediate trust and lower engagement.

Trust matters when it comes to money, and that extends to whose guidance we feel comfortable taking. Employees of color and women have had reason to mistrust certain aspects of advising and investing historically, such as discriminatory lending practices like redlining.

Underrepresented populations may also associate financial programs with a focus on privilege. Even something as benign as financial materials may reflect implicit biases as to who is illustrated and what language is used to appeal to the reader, perpetuating the sense that “financial education is for them, not us” that keeps underrepresented populations from feeling comfortable enough to participate.

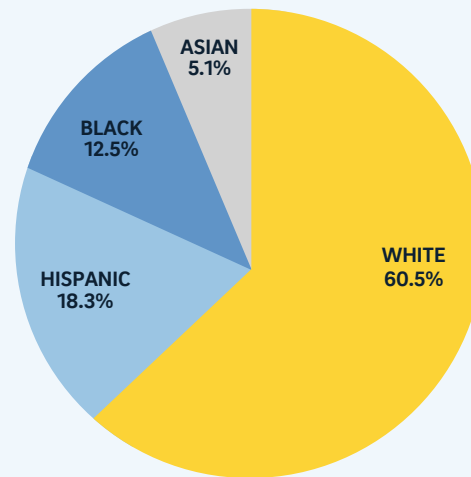
Further, the CFP Board reported that out of 80,000 certified financial planners in the U.S., less than 3.5% are Black or Latinx. This is in stark disproportion to the U.S. population — which is 13.3% Black and 17.8% Latinx, and was projected to grow markedly. In fact, it was projected that by 2045, people of color would comprise the majority of the population (with whites at 49.9%).¹⁶



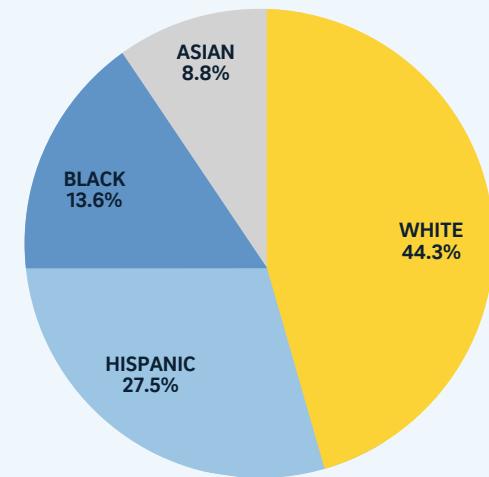
Less than 3.5% are Black or Latinx¹⁶

80,000 certified financial planners in the U.S

U.S. race-ethnic profiles, 2018 and 2060.²⁰



2018



2060

#2: The Solution

Inclusive representation of financial advisors.

While a financial advisor who understands the particular economic and social experience of an employee is certainly an advantage. But even better — and more effective — is a financial advisor that is from the same demographic.

As with every aspect of business and organizations, representation counts: and there's a large gap to be closed here. In terms of financial wellness initiatives, improving diversity and inclusion among financial advisors works in two highly effective ways. First, there's a planner who comes from the same world, the same culture, the same background — and thus there isn't a wall of unfamiliarity between them. Second, it represents inclusiveness in financial planning and advising in itself, building more trust in the process.



Instead of seeming like a range of disconnected pressures, an employee can see all their finances as a holistic endeavor, tackle it with support and knowledge, and realize their life goals.

#3: The Problem

Financial wellness benefits are not tailored to the needs of employees from underrepresented backgrounds — resulting in poor participation, employee frustration, and low engagement.

Even if an organization pledges to put more — or better — financial programs in place, if they include services that don't interest employees — or connect to their needs — they're not going to help.

Uniform, cookie-cutter solutions will not address more than the most narrow requirements — a 401(k) won't help parents trying to start saving for their children's college. There are many life stages, family compositions, and income brackets to consider.

Underrepresented communities may have a whole range of financial challenges that need a far more holistic and expansive approach — covering everything from debt to emergency savings, from long-term goals to retirement, and including education and coaching that helps make planning accessible and approachable.

#3: The Solution

Provide relevant benefits to employees from underrepresented backgrounds.

Wealth-building is often a unique challenge to employees of underrepresented communities — studies have shown they have far less of an emergency reserve,¹⁷ carry higher student loan debt,¹⁸ and face discrimination when applying for mortgages — whether declined more than whites or quoted higher rates for the same mortgage¹⁹ as whites.

Employer-sponsored financial wellness programs should directly address these shortfalls with innovative tools — from automatically allocating a portion of a paycheck towards a savings account, to providing a low-interest loan in a crisis. Offer student loan support, counseling and matching programs. Offer new-family financial counseling that addresses the maze of applying for a mortgage. And overall, provide a central location and dashboard that consolidates the disparate financial elements and goals into one place. That way, instead of seeming like a range of disconnected pressures, an employee can see all their finances as a holistic endeavor, tackle it with support and knowledge, and realize their life goals.

Conclusion.

Financial wellness is about more than wages or a job. It's about an individual's capacity to manage and mitigate financial pressures, to save for the short and longer terms, to find a route to growing wealth for themselves and future generations, and to leverage the financial wellness tools society has to offer.

But to do that, people have to feel like they have a seat at the table. All the diversity and inclusion initiatives in the world will not be effective if those in underrepresented communities are still left out. Bearing the brunt of a whole range of economic, social and cultural factors that kept them out of the financial conversation, they need to find a way to become active and knowledgeable participants with the help of a comprehensive and holistic financial wellness benefit as provided by an employer.

As for the employer perspective, empowering your people to overcome the grinding realities of financial stress is undoubtedly a net positive. And it should be a central part of any DE&I program — money, so often, is at the root of security.

Given the certain impact of financial stress on an employee's ability to focus and engage, providing a multi-dimensional and inclusive approach to financial well-being can free your workforce from the endless cycle of deficit and uncertainty — and enable everyone to feel supported, empowered, and hopeful about their futures.

About Meghan M. Biro



Meghan M. Biro is a globally recognized HR tech analyst, author, speaker and brand strategist. The founder of TalentCulture, she hosts #WorkTrends, a popular Twitter Chat and weekly podcast. Her career spans across recruiting, talent management, digital media and brand strategy for hundreds of companies, from startups to global brands like Microsoft, IBM and Google. Meghan can be regularly found on Forbes, SHRM, TalentCulture and a variety of other outlets.



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About BrightPlan.

BrightPlan is a leader in Total Financial Wellness. The company is the first financial wellness solution certified for fiduciary excellence. BrightPlan provides a comprehensive personal finance solution for all employees that is real-time, personalized and integrated with employer benefits. Its unique combination of digital platform and human advisors supports employee personal financial goals at every stage of life, helping enterprises to better attract, retain and engage talent. For more, visit brightplan.com

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