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# *The Business Impact of Employee Financial Wellness*

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## **Introduction**

The employee life cycle has a beginning, a middle, and an end, and every facet of the life cycle delivers an employee experience. These moments can offer positive reinforcement that the employee is in the right job at the right company, or they can turn off an employee and create dissatisfaction. We think of these as moments that matter. Employees are the "internal customers" of an organization and have expectations as to how they should be treated. Of course, employees want a positive employee experience. It turns out that a positive experience for employees is also good for business.

A positive employee experience goes beyond compensation and benefits packages and career advancement, to encompass overall wellness that includes health, financial, mental and emotional well-being. Employees who feel that their employer cares about them in all aspects of their lives will be more engaged and productive. In turn, these employees will be loyal, satisfied and more committed to the demands of their jobs – results that translate into positive business impact for employers. Less employee turnover as well as the ability to attract and retain in-demand talent due to exceptional employee experience have a direct impact on the ability for an organization to achieve strong financial results.

Companies that offer financial wellness for employees have seen an uptick in active participation in their financial benefits plans, and an increase in employee engagement. For their part, employees that have access to a financial wellness program through their employer have increased their financial knowledge by attending educational sessions, creating budgets, retirement plans, and meeting with financial advisors.

In today's uncertain environment, overall employee wellness, and specifically financial well-being, has never been more critical. The American Psychological Association's 2014 *Stress in America* survey found that 72% of Americans feel

## **AT A GLANCE**

### **KEY STATS**

According to IDC research, employers who invest in robust employee experience/employee engagement programs have employees who:

- » Plan to stay with the company for 6-10 years on average
- » Are 35 times more likely to feel like part of one team driving business results

### **KEY TAKEAWAYS**

Employee well-being is an essential component of the employee experience, with financial well-being playing a critical role. Financial stress is a big concern for employees and by providing a comprehensive financial wellness program, employers can improve the overall employee experience, and in the process gain a competitive advantage when it comes to attracting and retaining talent.

stressed about money at least some of the time; and this was before the pandemic and economic uncertainties. According to BlackRock's *2019 Global Investor Pulse* survey, Americans number one stressor is money, ranking higher than health, family and work. In addition to alleviating financial stress, there are immediate benefits to financial planning such as better retirement planning, improved quality of life and reduced healthcare costs.

Historically, 401(k) benefits were the foundation to reaching an important life goal: retirement. But what about everything between now and retirement – important life milestones, such as getting married, buying a home, getting out of debt, sending kids to college, budgeting, and more? Employees must deal with these kinds of challenges daily, but they are left to figure them out for themselves, which can be an overwhelming prospect.

One of the top ways to engage and retain employees is to offer a comprehensive benefits package which includes more than just base salary and bonuses. Employees need a plan for the single largest part of their compensation, their paycheck. Without a plan, employees may struggle with debt, be unable to contribute to 401(k) plans, lack emergency funds, and ultimately experience higher attrition rates as they leave in search of better compensation. Employees increasingly seek well-rounded financial benefits packages encompassing 401(k) employer match programs, health savings accounts, various insurance programs, stock plans, and guidance on how to best utilize these benefits. And employers themselves must do more than simply offer an array of financial benefits. To ensure the financial well-being of their employees, organizations must offer education, self-service capabilities, and access to qualified financial advisors. This in effect is a comprehensive financial wellness program. Financial wellness should account for the whole constellation of financial benefits and provide employees with a clear plan to achieve goals.

Financial wellness programs facilitate a personalized and holistic approach for employees – to learn at their own pace the topics of most relevance to them at their particular stage in life, and to navigate their path to financial security. A well-designed financial wellness program should enable employees to reach their stated level of financial well-being by enabling them to achieve their most important life goals.

A comprehensive financial wellness initiative should ultimately lead employees to financial success on their own terms by empowering them to take control of their future. A critical component to achieving this is a digital platform that provides access to digital coaching, self-service tools and education, paired with access to human advisors. Ultimately, the success of any financial wellness program is determined by the ability of employees to establish goals-based financial plans designed to help them achieve their life goals.

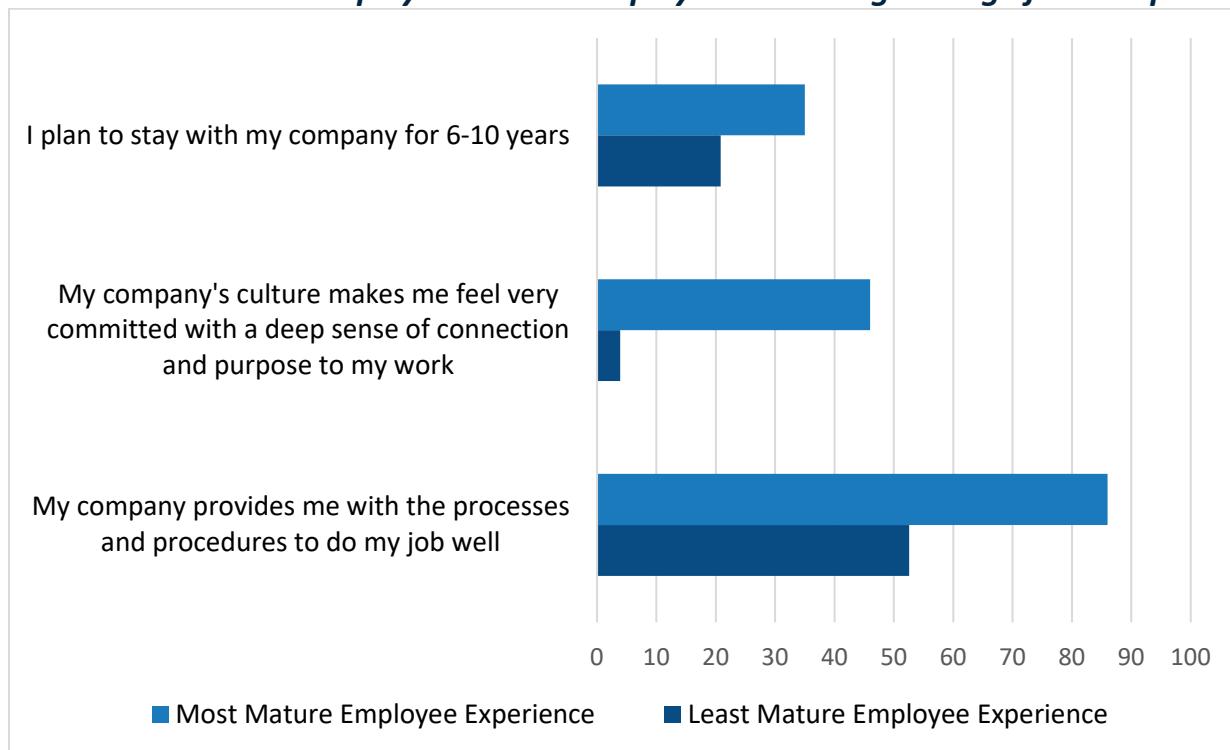
## ***Financial Wellness as a Strategic Imperative: A Key Component of Employee Experience***

Employee well-being is an essential component of employee experience. For organizations, fostering robust employee experiences (EX) is a strategic business initiative; and is integral to productivity and resilience. Organizations that invest in EX have employees who are more committed to the organization and loyal to their employer. EX is a reflection of a company's brand and reputation – and many consumers consider how well a company treats its employees as a factor to doing business with a company. In addition, EX is an important tool for attracting and retaining skilled and in-demand talent. A high EX maturity level is a way for an organization to differentiate itself in a competitive market for talent. In

effect, EX is as much a recruiting tool as it is an employee satisfaction metric and is heavily considered in “best places to work” rankings.

IDC has conducted extensive research on EX and has created an index that takes into consideration numerous factors including how well an organization engages employees around wellness including financial, mental and physical well-being. Recently, IDC conducted a survey to determine the impact EX has on an organization during COVID-19. Those organizations with a high employee experience score have created work cultures with significantly higher organizational resilience – ultimately driving better business outcomes. Specifically, employers who invest in robust EX programs have employees who plan to stay with the company for the longer-term – 6-10 years on average. Additional IDC research shows that employers who provide robust employee engagement/employee experience programs have employees who are 35 times more likely to feel like part of one team driving business results. For employers, this collective research indicates that insufficient support for employee well-being will have a negative impact on EX (see Figure 1).

FIGURE NUMBER 1: *Employer Focus on Employee Well-Being Has Significant Impact*



n=500

Source: IDC, *The Impact of Employer and Employee Engagement During an External Event Like the Coronavirus*, April 2020

Since mature EX levels are a major contributor to organizational resilience, IDC recommends that organizations develop EX strategies to manage and measure all aspects of EX including the level of employee engagement, listening, well-being and overall experience to drive business impact. This is particularly relevant now as the disruptions created by the

pandemic place a premium on adaptability. Businesses that do not actively take steps to support employees' well-being needs and improve the employee experience will likely be slower to recover as markets improve. Thus, organizations should consider EX an essential part of workforce management to create a people-first culture and one team approach to drive business value.

Employee wellness is imperative to creating a people-first culture. Central to any wellness program – indeed perhaps a priority for any wellness initiative currently – is financial wellness. Employees who are stressed over financial issues are distracted employees, and financial stress often leads to health and mental problems. While financial stress is always a nagging problem for employees, concerns are heightened given the pandemic and economic uncertainty. Programs designed to provide financial information as well as the ability to act on that information, and follow-up with a professional if need be, can go a long way in empowering employees and mitigating their stress.

## **A Game Plan for Financial Wellness**

Think of employees as customers of human resources (HR) and all the HR systems that touch the employee. In terms of financial wellness, programs should include more than just static information or one-off education efforts that occur during onboarding and annual enrollment periods. As a comprehensive initiative, financial wellness includes education, financial service offerings such as budgeting and tracking, the rollout of digital tools and platforms, as well as access to human expertise. Some characteristics of a positive digital platform experience in general include the following and apply to financial wellness initiatives as well:

- » Self-explanatory. Systems should be easy to use and provide a user interface like that used in a consumer environment.
- » Self-aware. Systems should know the identity and characteristics of the employee and incorporate any new information gathered for future interactions.
- » Self-service. Employees should be able to accomplish as much as possible without the need for intervention.

Systems should also include tools that enable employees to take customized action – enroll in a program, allocate investments among funds in a 401(k), track budgeting, and so forth. Employees may have financial goals that are specific to their generation or life milestones such as reducing student loan debt, so their objectives may include:

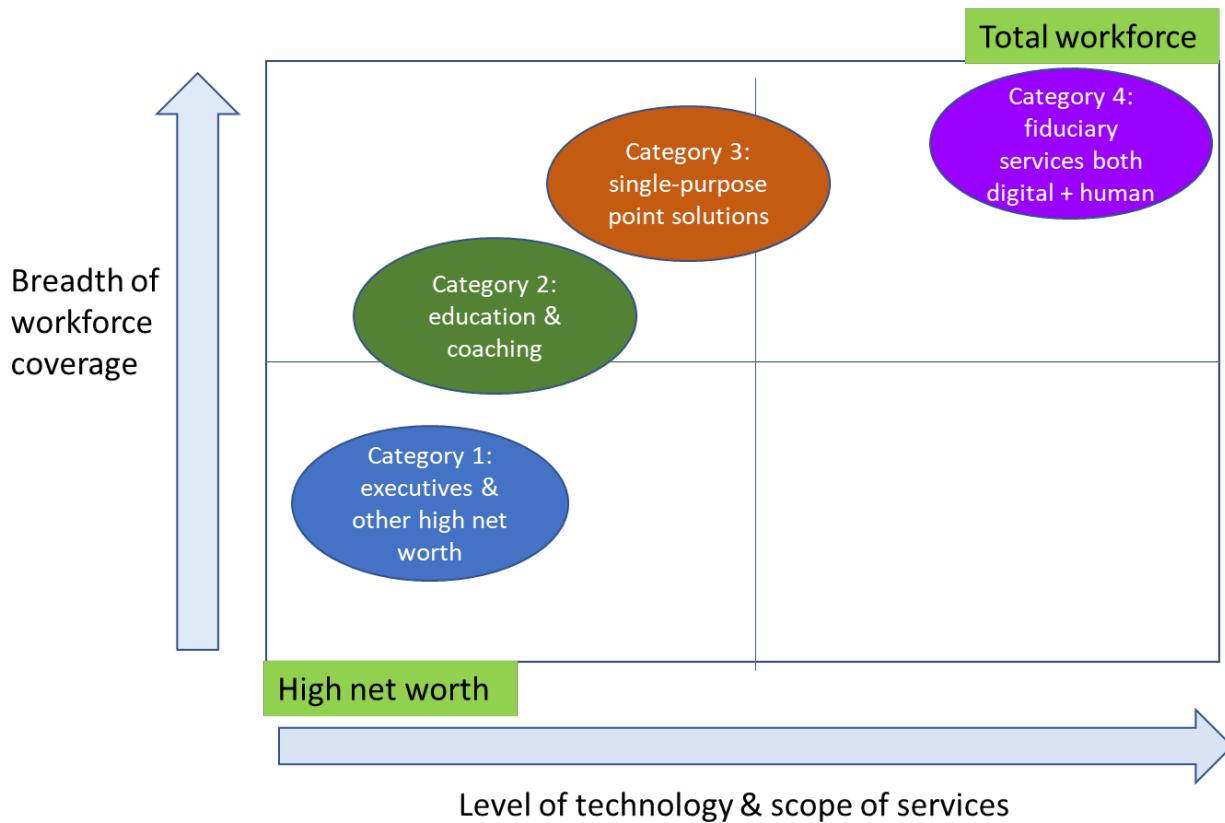
- » Financial education related to investing
- » Planning for goals such as buying a home and building emergency funds
- » Effectively budgeting and managing their career

HR leaders are familiar with how financial stress affects physical and mental well-being, leading to lower workplace productivity. By offering financial wellness programs, HR leaders can help all employees with their financial goals, enabling them to be more productive and engaged at work. Financial wellness programs can also support companies in their important diversity and inclusion initiatives.

## Market Landscape

There are several financial wellness solutions in the market today. Employers need to evaluate solutions based on their employees' needs and determine the best fit for their company. One of the challenges of selecting a financial wellness solution is the diverse financial priorities of employees, as well as the resources needed for financial advice. There are four broad categories of solutions as illustrated in Figure 2. In general, capabilities of solutions range from those that target a relatively small group of employees and have limited scope of services and technology, to solutions that target the needs of an entire workforce with a wide-scale scope of services and technology.

FIGURE NUMBER 2: *The Financial Wellness Landscape*



Source: IDC

The financial solutions available in the market fall into the following categories:

1. **Category 1: Solutions for only a subset of employees.** These solutions only cover high net worth employees or executives or have a tiered service where high net worth employees receive comprehensive services and other employees get a subset of services – such as financial education only.
  - » Pros: A full-service offering for employees who meet a certain threshold, usually a small fraction of the total employee base.

- » Cons: Does not cover all employees and is often not full featured (only providing access to financial advisors, for example); leads to low adoption and employee dissatisfaction.
- » Questions to determine if this solution is right for your company:
  - Do you have executives or high net worth employees who have different financial needs than the rest of employees at the company?
  - Is it important to your company that all employees have access to financial wellness benefits?

2. **Category 2: Solutions that focus on education and coaching.** These solutions aim to increase your employees' financial literacy, paired with human financial coaches.

- » Pros: Financial literacy and access to financial education is a key component of financial wellness; coaches provide 1:1 guidance and accountability needed by employees to achieve their financial goals.
- » Cons: Financial education is an important first step. Employees often need solutions for other aspects of financial wellness, such as planning and investing, to achieve holistic financial well-being. Although often requested, data shows that few employees engage with coaches, and this often leads to low adoption of an education and coach solution.
- » Questions to determine if this solution is right for your company:
  - Do your employees respond well to educational and coaching programs?
  - How will you evaluate improvement in your employee base in an education-focused program?
  - Does the evaluation involve subjective surveys or a combination of surveys and objective data?

3. **Category 3: Solutions that address only a single aspect of financial wellness.** These point solutions only focus on one aspect of financial wellness, such as student loan-specific providers, 401(k) or retirement only-providers, life insurance-specific providers, and so forth.

- » Pros: Some point solutions are necessary for every company, such as 401(k) and life insurance. Since these solutions focus only on one aspect of financial wellness, they tend to address that aspect well.
- » Cons: On their own, point solutions do not address the holistic or diverse needs of all employees. They are often very hard to understand without guidance and have low utilization rates when employees are not enrolled automatically.
- » Questions to determine if this solution is right for your company:
  - What point solutions does your company already offer or want to offer in the future?
  - Do your employees need more than just a few key financial benefits, such as a 401(k), or are their needs more holistic, requiring a full-service financial planning solution?

4. **Category 4: Comprehensive solutions that are held to the fiduciary standard.** These comprehensive financial wellness solutions have both digital and human components, provide comprehensive services from education, financial planning, investing, to day-to-day money management, and are held to the fiduciary standard.

- » Pros: Comprehensive services offered to all employees regardless of net worth which meet all employee needs at their specific stage of life and planning. Being held to the fiduciary standard requires that the provider acts solely in the client's best interest when offering personalized financial advice.
- » Cons: If your employees need a specific product, such as debt reconsolidation or payday loans, solutions in this category will need to be complemented by other niche solutions.
- » Questions to determine if this solution is right for your company:
  - Is it important for your company to offer comprehensive financial wellness benefits to all employees?
  - Could your company save money by offering fewer point financial wellness benefits if it invested in a comprehensive solution?
  - Do you want your employees to have access to a comprehensive self-service solution and experienced financial advisors who are required to act in your employees' best interest?

## ***Best Practices for Creating an Overall Financial Wellness Strategy***

The capabilities around customized actions are critical for effective financial wellness plans. At most companies, employees are at different stages of their lives and careers. They have their own personal financial priorities and knowledge about financial matters. Organizations need to assess their employee base and design a financial wellness program based on demographics. A digital platform that enables self-service and mobile access is the foundation of any modern financial wellness strategy.

A best-in-class digital platform goes beyond just the numbers. It's a financial wellness coach that connects an employee's current financial picture to the priorities in their life. It lets them create an emergency fund and personalized goals, such as saving for a child's college education or retiring early, and tracks progress towards these goals while providing relevant next steps to achieve them. The ideal digital platform should also act as both a dashboard and a compass for where your employees are and want to go in life. It should let employees see the past, present, and future of their financial well-being. To deliver these deep levels of insight, a digital platform must satisfy both your employees' and your HR team's needs in some key areas. The platform should guide employees with the following:

- » Provide digital coaching and an overall financial wellness score with personalized steps for improvement
- » Provide goals-based planning for life events and emergencies

In addition, the platform should enable employees to do the following:

- » Develop budgets to properly manage income and spending
- » Activate a personalized investment strategy with a human touch (financial advisor) to drive adoption of 401(k), HSA and stock plans

## Conclusion

Financial well-being satisfies one of the most basic employee needs: to build financial security. Employer support for a financial wellness program that is both informative and actionable contributes to an environment in which employees feel empowered to achieve their financial goals, and confident to care for themselves and their families. From the perspective of employers, financial well-being engenders committed, productive and loyal employees. In addition, employers with comprehensive financial wellness programs – which enhance their overall EX levels – gain competitive advantage and differentiation. In a market where skilled talent is in demand, these employers are better positioned to attract, retain and engage employees. According to IDC, there is a direct correlation between employee engagement and company outcomes. EX drives business value.

The benefits of a comprehensive financial wellness program are compelling for both employees and employers. For employees, improved EX, enhanced overall well-being, increased productivity and engagement are among the results of a financial wellness program. Employers can expect financial wellness programs to improve the overall employee experience – making employees more committed, loyal and productive.

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## About the Analysts



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Lisa Rowan is Research Vice President for IDC responsible for global research on human capital and talent management software and services. Ms. Rowan provides expert analysis focused on both the business services and software used to address HR and talent-related dimensions. Her research addresses developments in human capital and talent management applications, human resources consulting, and HR outsourcing services.



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