Hr and Workplace Financial Education – Why and How

Research shows that your employees worry more about money than any other aspect of their lives, more than work, kids, marriage, or friendships. Most find it difficult to save let alone to invest. Financial stress is rated by workers as their number one source of stress; concerns about personal finance are five times greater than those regarding health. Money Metrics can help.

What is Financial Literacy?

Financial Literacy is not another trendy catch phrase. It reflects a serious concern among government, private, and public sector organizations deeply concerned with disturbing trends in the fiscal behavior of average Americans. This movement for a financially literate society is based on the overriding belief that Americans can't do better if they don't know better.

The Government Accountability Office (GAO) has defined financial literacy as "The ability to understand financial choices, plan for the future, spend wisely, and manage the challenges that come with life events such as job loss, saving for retirement, or a child's education." (GAO-05-93SP)

In order to assist the development of a national financial literacy movement, Title V of The Fair and Accurate Credit Transitions Act, also known as the Financial Literacy and Education Act, created the Financial Literacy and Education Commission. Comprised of 20 federal agencies, the commission is charged with coordinating federal efforts to develop a national strategy to promote financial literacy in the United States.

The nonprofit Heartland Institute of Financial Education (HIFE) has adopted this mission. HIFE partners with colleges and universities nationally to offer financial wellness courses on-site to America's workforce.

How Money Metrics can help:

Bob Pessemier, President of Money Metrics, is a HIFE Certified Financial Educator (CFE), Accredited Financial Counselor, and Asset Management Specialist. Money Metrics offers a free 1 hour class, The Top 5 Money Mistakes People Make and How to Fix Them, to help employees hang on to more of their money.

Workplace Education - What Does and Doesn't Work:

It's a tricky problem. For example: nearly half of all companies surveyed in a recent SHRM, EBRI, and WorldatWork report indicated that "Plan participants have access to investment advice from their organizations, retirement provider, and/or investment advisory service provider". But, the study also notes, "The percentage of participants accessing advice in the past 12 months indicated a utilization rate of less than 10% of the eligible participants." Why so low?

Workplace Education and Employer Concern:

The problem isn't employer concern. In fact, executives rank financial illiteracy as one of the "most critical unaddressed issues in the workplace today". A full 32% rank the "toll on productivity caused by financial stress" as a chief concern. Further, a SHRM study reports that 65% of respondents say top management is "somewhat" to "very interested" in providing financial advice to employees. In fact, a full 49% are in the "initial research and consideration" stage.

Workplace Education - What Employees Need and Want:

The problem isn't employee concern. One new study notes "a dramatic increase from the previous year in the number of workers indicating some need for assistance. A Roper Pole recorded less than 1 in 3 Americans ages 25-64 say they are "very confident" about their fiscal know-how.3 More than 2 out of 3 workers are looking for help." Employees need and want financial education. So what's to blame?

Workplace Education - Method Matters:

When asked how employer sponsored investment advice is provided to employees, 79% of the SHRM survey respondents noted "online services". When asked how their employer's selected certain methods over others, 51% of respondents reported that it came bundled as a part of the package provided by the retirement plan service provider. But, are these online do-it-yourself financial guides sufficient enough to change employee behavior?

Employees today are faced with a wider and increasingly complicated array of options for managing their money. Technological advances and unscrupulous predatory vendors have made Americans more vulnerable than ever before. Employees need help. Is there a more effective way?

Workplace Education and Behavioral Change:

Changing employee behavior isn't easy. Educators know this, HR professionals know this. However, recent studies indicate that financial education classes are one way to make a tremendous difference. In fact, one study of financial education in the workplace notes: "Seminars affect accumulation not only by changing how much people save, but also how they invest their portfolios." For example, "Those who attended seminars are significantly more likely to buy stocks." Not only do employees save more, they invest with greater confidence. As a result, by attending financial education courses, employees on average show an increase in net worth of 18-20%.

Workplace education courses are one of the few methods proven to actually improve employee behavior. These improved behavioral changes have a direct impact on an organization's bottom line through...

- Less absenteeism
- Higher productivity
- Clearer focus on the job at hand
- Lower health care costs
- Increased participation in pension plans

Financially Distressed Workers and Productivity Loss:

It's not surprising. After all, workers spend 60% of their average day on the job. When financial problems arise, it is, as R.C. Brown of RJ Reynolds says, "in the workplace that they are likely to surface first". And they surface in any number of troubling behaviors. Robert Weisman, Professor of Psychiatry at the University of Rochester School of Medicine lists 13 common symptoms…

1. Expressions of boredom
2. Vacillation in decision making
3. Distraught with trifles
4. Inattentiveness
5. Irritability
6. Procrastination
7. Feelings of persecution
8. Unexplainable dissatisfactions
9. Forgetfulness
10. Misjudgment of people and issues
11. Loss of trust
12. Loss of organization
13. Confusion about roles and duties.

Does this describe anyone you know? Most Human Resources professionals can think of any number of employees who fit this profile. It's no wonder that top executives have ranked the "toll on productivity caused by financial stress" as one of the "most critical unaddressed issues in the workplace today".

Financially Distressed Workers and Financial Health:

Prevention just makes good sense. "Employers who believe in primary prevention find it credible (when dealing with drugs and alcohol in the work- place) to make help available to all employees experiencing problems impacting job performance. One of the new wellness trends is financial health programs".

Helping employees cope with personal stress is critical to a healthy organization. And what is more vital to employee health than financial well-being? Sociological research data indicates that four factors strongly predict happiness and overall well-being in most cultures: health, economic security, employment, and family relationships. Essentially, people are happier when they are healthy, employed, in committed relationships, and financially stable and secure.

Remember, financial stress is rated by workers as their number one source of stress; concerns about personal finance are five times greater than those regarding health.

In fact, studies find that individuals reporting higher levels of financial stress had higher levels of illness and physical impairment than others with lower financial stress levels. The higher an individual's debt-to-income ratio, the more likely they were to be in poor health.

Financially Distressed Workers and the Bottom Line:

"Thirty million Americans (1 in 4) are seriously financially distressed and dissatisfied with their personal financial situation," states E. Thomas Garman of Virginia Tech University.

20% of employees cannot carry out normal work activities 3 days per week because of financial issues. And what does it mean to employers? It translates into…

- absenteeism
- tardiness
- lower employee morale
- substance abuse
- fighting with supervisors and co-workers.
- lack of focus on strategic goals
- over-use of employee assistance programs
- disability and worker compensation claims
- increased use of health care resources

Do employers have a responsibility to provide aid to financially distressed employees? The study, Financially Distressed Consumers, concludes:

"Employers, in particular, have an important role to play in helping Americans improve their health and finances by offering targeted programs and incentives. After all, the workplace is where the employees spend the bulk of their time. Employers also stand to benefit tremendously from workers' improved financial well-being. Not only are their potential productivity benefits, but it is also likely that health care costs associated with stress will be reduced."

Financial Distress - The Cost to Employers:

It hurts your bottom line. How? Absenteeism, inattentiveness, irritability, reduced productivity - and that's the short list! Imagine how much time employees spend each week dealing with personal financial issues when they should be working. In a Virginia Tech study personal financial distress is ranked by workers as their number one source of stress. The study also found:

- 33% of workers report money worries often hamper job performance;
- 1 out of 4 workers -30 million- are severely financially distressed and dissatisfied;
- 4 out of 5 workers report using work time to deal with financial issues.

Employees with financial distress are not only distracted they take company time to discuss finances with creditors, collection agencies, and co-workers. Human Resource departments spend significant time assisting employees with payroll advances and distributions from 401(K) plans. And that's not all. Financial distress has an indirect cost to employers as well.

Financial Distress and the Cost of Health Care:

The higher an employee's debt-to-income ratio, the more likely they are to be in poor health. Economic stress does impact physical health: headaches, inability to concentrate, nausea, high blood pressure, and insomnia. In fact, a large proportion of those who are financially distressed, 40 to 50%, report that their health is directly impacted negatively by their financial worries. In one study, 8% of respondents reported seeing a doctor because of health problems related to financial stress.

Employers stand to reap significant benefit from workers' improved financial well-being. Not only are there productivity benefits but it is also likely that health care costs associated with stress are reduced. And all of this from a no-cost benefit.

Financial Education - The Benefit to Employers:

The immediate return on investment for employers who even slightly improve the financial well-being of employees is $450 to $2,000 per individual through lower absenteeism and more productivity. E. Thomas Garman, Professor Emeritus Virginia Tech., finds a 3-to-1 dollar return on investment for employer sponsored work-place financial education. "A worker who is financially distressed is taking a direct bite out of the organization's profits. But for those who attended a workplace financial education course…

- 34% reported that they started contributing to their 401(k) retirement plan.
- 45% said they increased the amount of their retirement contribution.
- 56% reported their financial situation had improved.
- 75% reported making better financial decisions.

These behavioral changes in workers translate into lower absenteeism, higher productivity, and potentially lower health care expense.

“Research shows that personal financial wellness increases job productivity”. Thomas Garman, Virginia Tech COTA Research.

“Financial education gives employers bottom line dollars and cents benefits with reduced payroll taxes from greater employee use of tax-favored vehicles. This is cash money on the table for employers”. Ernst & Young Financial.

Workplace Education and Liability:

Under old law, employers were discouraged from providing workplace education as a benefit because liability issues were ambiguous and employers could be held liable for specific advice that was provided to their employees. The 2006 Pension Protection Act has relieved employers of that problem.

As summarized by John Boehner, Chairman of House Education & the Workforce Committee: “The 2006 Pension Protection Act clarifies that employers are not responsible for the individual advice given by professional advisers to individual participants; this liability is assumed by the individual adviser”.

The Future of Financial Literacy - Is it working?

The clear message for the future is that each American must take personal responsibility for their own financial future. Even those who rely upon financial professionals for tax, investment, estate planning or other financial advice need some basic level of understanding. As NAMB noted: "Education is the single best defense consumers have against fraudulent and abusive financial practices"(NAMB 2, 2005). There is a clear and present need to educate our current workforce. While financial tools available to today's employees generally amount to little more then helpful websites, employees are increasingly looking to their employers to provide more personal direction and practical education.

Seven Dimensions of Effective Education Programs

1. Unambiguous Mission and Purpose
A mission shapes an organization's identity, gives it direction and serves as a unifying force. For successful financial literacy education programs, a clearly articulated mission defines the program's scope of operations, reflects its values, priorities and goals. With a program mission "to rebuild Chicago communities through the ministry of asset-building," MidAmerica Leadership Foundation was quick to recognize that if personal asset building is to occur, financial literacy education must become a priority. As a consequence of its commitment to financial education, MidAmerica not only created value for program participants but also significantly increased it's understanding of both the people and the communities served by the organization.

2. Targeted Outreach
Organizations using creative recruitment techniques are flexible, market driven and know their target audience. Since the need for financial literacy training is ubiquitous in many under-served settings, formal needs assessments are often not conducted, but the characteristics of the target population must be well known in order for the education to be effective. The International Institute of Boston (IIB) employs bi-lingual Vietnamese, Haitian-Creole, Cape Verdean Creole, Portuguese, and Chinese instructors, who are from the populations served by this organization.The success of the IIB program can be attributed to these instructors who not only teach, but also recruit within their respective communities. They identify which newspapers reach the most people, when radio is an effective tool, or if posting notices in housing units is an appropriate way to find participants.

3. Adequate Resources
Organizations have the best chance for achieving program success when they can commit the necessary resources to their programs. United Parcel Service (UPS) has committed the resources required to reach 42,000 of its employees with information that integrates company benefits with personal financial instruction and allows participants to attend workshops on company time. UPS partnered with PricewaterhouseCoopers to design the program, develop the materials, and train the instructors. Consequently, UPS is able to offer workshops frequently enough to meet demand. Some UPS participants benefited so much from the program that they believe it "should become mandatory."

4. Successful Evaluation and Follow-up
Having evaluation tools is important and necessary, but using them to improve and upgrade course offerings is vital to program success. Effective programs are flexible enough to change direction, even curricula, when evaluations deem such changes will improve the course or program. Successful programs contain two participant-centered evaluation components, both of which must be voluntarily offered by participants:

- Immediate Program Response Measures to learn participants' satisfaction with the education, and
- Follow Up Action Measures to ascertain participants' application of what has been taught.

When business-centered results of courses are needed to demonstrate links between increased participant well being and positive organizational impact, additional components must be designed that include pre- and post-education measures. Rutgers Cooperative Extension assesses the monetary impact of its Money2000 Program at the county, state, and national levels using both participant-centered and business-centered evaluation components. Measures are used that explore participant satisfaction with courses and actions taken by participants six months after instruction. Periodic dollar amounts of savings and debt reduction are obtained from participants, and the Extension is thus provided with data on behavioral changes as well as information that can be used to tabulate the cumulative monetary impact of the education.

5. Program Accessibility
Decisions regarding the scale of a program relate directly to time frame, scope of curriculum, geographic, workplace or community delivery locations, and program duration. Effective programs take all of this into consideration when scheduling courses or counseling sessions. Weyerhaeuser permits its employees to attend personal financial education courses, of up to two-and-one-half days, during working hours. In most cases, employees report that supervisors are very supportive of allowing time off to attend programs. Employees expressed appreciation for Weyerhaeuser's program accessibility and the ease of participation that is encouraged within this workplace employee education setting.

6. Relevant Curriculum
Effective programs use carefully crafted, or adapted, Participant Texts, Workbooks and other written materials, and we found many examples in use too many to address in this study. (An on-line resource for reviewing financial literacy education materials is available at www.nefe.org.) A curriculum must meet the needs of learners. It must be geared to their level of general literacy, written in understandable even native language, when appropriate or necessary responsive to their present socio-economic situation and sensitive to their cultural background. The International Institute of Boston (IIB) translated the city's documents on homebuying into five languages, which makes homeownership more accessible and demystifies the homebuying process. The use of native language instructors allows materials to be shaped to fit the specific needs and socio-cultural issues that exist for participants and fosters heightened communication, interaction and learning in the classroom.

7. Dynamic Partnering
Effective programs don't hesitate to enlist the help of partners to accomplish whatever is required. Dynamic partnering refers to the practice of two-way service and sharing. For example, a commercial bank or mortgage banker can be a good community partner, provide help with curriculum design, supply committed teachers, and help post notices of financial literacy course offerings. In return, course participants may look to the bank or mortgage banker to provide banking or mortgage financing services upon completion, or as a result of having participated in financial literacy educational offerings. The Mississippi Housing Initiative (MHI) succeeded in creating a single, statewide homebuyer education program by building a fairly extensive system of networks. MHI has relied on networking on multiple levels and at various stages of development and implementation, from the initial formation of MHI to the connection with agencies that provide the education, to grassroots recruiting techniques. County networking is particularly important in rural areas where potential participants are more difficult to target, reach and attract.

How Money Metrics can Help Your Employees Save an Extra $1,200,000?

Our class, "The Top 5 Money Mistakes People Make - And How to Fix Them" is the first critical step on the path to a more secure future for your employees. We have delivered this class to over 50 companies and more than 1,000 attendees in the last year and the response has been tremendous. If you want to help your employees hang on to more of their money, this class is for you, and them.

There are only 2 things people can do with money - save it or spend it. People save and invest with the help of financial planners who help them strategically with asset management and for the long-term. We help people tactically and short-term with spending and liabilities; what they buy and how they pay for it.

Do you know:

- Why 70% of Americans live paycheck to paycheck regardless of income

- The real cost of car loans
- Why a 14% credit card is a 1,112% loan.
- How to reduce or eliminate debt without hurting yourself
- How 83% of home loans have over $3,000 in hidden fees
- How 85% of home loans have inflated interest rates

The problem is Information Asymmetry, which means that some people know more than others and use it to their advantage. This class provides information that helps level the financial playing field. We added up the total potential savings people can achieve with this information and it came to over $1,200,000 in 30 years. Not bad for a 1 hour class.

Topics include:

Introduction to Personal Economics and Information Asymmetry - We explain why people feel they don't have more money than they should and why Emergency Funds and Spending Plans are important to financial success.

Car Loans, Credit Cards and Debt Management - We explain the long term impact of car loans, and then covers everything you need to know about Credit Cards (why is a 14% credit card a 1,112% loan?) and how to get out of debt without hurting yourself

Home Loans - We discuss what people need to know about their credit report, how 83% of home loans have hidden fees, how 85% have inflated interest rates, how mortgage brokers and loan officers can take thousands out of a home loan and the borrower will never know it, and why Par is more than a golf term and why it can save people a lot of money on their next home financing transaction.

Help your employees save over $1,200,000. This is a 1 hour class offered live and online, hosted by Bob Pessemier, AFC, AAMS, CFE (Certified Financial Educator) and President of Money Metrics. Please call for more information about how to bring this class to your employees.
It's 100% education.

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