



A Personalized
Financial Accountability Partner



Financial Wellness Programs **Drive Real Change**

Sam Weiss • February 8, 2019

Executive Summary

Employees are struggling with financial issues. Financial wellness programs can help.

In case studies, Nyhart determined its financial wellness program Votaire drives real change.



The Problem

Financial struggles are a burden on many, but they often fly under the radar. The financial struggles impacting employees' work may not come to light until it's truly out-of-hand.

A perfect example of this is a true story of a retail banking associate at a midsize multistate bank that found himself in need of the same financial counseling he was asked to provide his clients. His role was to offer products, services, and financial advice to clients in an effort to make them financially healthy and independent. But then his boss discovered his checking account was far overdrawn, and his credit line was maxed out and unable to be extended further. She recalls,

“He was struggling at home with these financial issues, and the stress and anxiety was impacting his job. He was embarrassed to seek help because of his role and worried if sharing the problem with his boss would color future career movement. He literally was keeping the entire matter to himself when he was surrounded by people who could help him.”

This bank associate wasn't the only one whose financial issues impacted his work. In fact, employees who are stressed about finances are almost five times more likely to let finances be a distraction at work as those not stressed about finances.¹ Those financially stressed employees are also more than twice as likely to have their productivity impacted by financial worries.²

Americans' financial struggles have reached epidemic proportions, with 78% of full-time workers living paycheck to paycheck. Additionally, 56% of those carrying debt say they are in over their heads.³ 48% of Millennials and 51% of Gen X employees cite “not having enough emergency savings for unexpected expenses” as among their top financial concerns.⁴

This spills over into health, too. Overall health is closely tied to stress,⁵ and chronic stress is even linked to the six leading causes of death.⁶ Financial concerns is considered a leading stressor, with 62% of Americans citing it as a stressor.⁷ With that in mind, it's easy to see why financial wellness is part of Gallup's five dimensions of well-being and is getting so much attention lately.⁸

¹ PwC Employee Financial Wellness Survey, 2018. 43% of those stressed about finances said finances have been a distraction at work. 9% of those not stressed about finances said the same.

² PwC Employee Financial Wellness Survey, 2018. 26% of those stressed about finances said productivity has been impacted by financial worries, while 11% of those not stressed about finances said the same.

³ <https://www.cnbc.com/2017/08/24/most-americans-live-paycheck-to-paycheck.html>

⁴ PwC Employee Financial Wellness Survey, 2018

⁵ <https://www.apa.org/news/press/releases/stress/2011/health-risk.aspx>

⁶ <https://www.miamiherald.com/living/article1961770.html>

⁷ American Psychological Association, Stress in America, 2017.

⁸ <https://www.gallup.com/workplace/237020/five-essential-elements.aspx>

The Solution

With financial wellness so important, many employers are offering financial wellness programs to their employees. These programs vary in makeup but usually incorporate some sort of financial assessment and include key points to address to become more financially well. Unfortunately, with such a national focus on financial wellness, a number of providers have entered the space, and their programs are not all created equal. When starting a financial wellness program, here are a few things to consider.

Embed Financial Wellness in Overall Benefits Package

Financial wellness programs need to be embedded in the overall benefits package of the organization to take root and drive engagement. This means integrating corporate benefits and retirement programs for the organization directly within the program. For many employees, utilizing the benefits package is the first step toward becoming financially well, and retirement is what many (especially older) employees focus on as an end goal. This is also a key value-add of workplace financial wellness programs over traditional direct-to-consumer budgeting and personal finance programs.

Driving Engagement

For effective engagement, a financial wellness program should have top-down organizational support. That is, the program should be advocated by a C-suite executive or senior-level HR member. A comprehensive communication strategy with action steps and key value-adds to the participant is key.

Finally, the barrier to entry for the program must be low. The program must be easy to access and get started. For example, a digital financial wellness program might use a single sign-on from another often-used system. Too many programs start with a suite of 20-30 questions with no value added back to the participant, who is likely to immediately lose interest. A low barrier to entry integrated with other programs and systems helps ensure that the program isn't seen as isolated and keeps the participant engaged.

What Makes for a Good Program?

There are three important characteristics of a good financial wellness program: it must be dynamic, holistic, and personalized.

DYNAMIC

Financial wellness is more than an annual check-in – it must be a regular part of life, even a routine. That means the program has to evolve to continue to add value to the participant. Self-assessment-centered programs miss the mark on this; once the assessment is done, the additional value to be gained is unclear and maybe even nonexistent.

As markets change, new company benefits are offered, or even when something happens in the participant's life, the program must react to be relevant. A digital dashboard with the ability to link accounts (savings/checking, retirement, HSA, etc.) is a helpful part of this. A dynamic program can understand that a Baby Boomer's needs are different from a Millennial's and adjust accordingly. It knows when Jane isn't following her plan, and it tells her.

HOLISTIC

Financial wellness is more than budgeting, self-assessments, or calculating net worth, which is where many programs focus their attention. These approaches leave out more than they provide! Budgeting is important, but many Boomers will already be well-practiced in budgeting. Self-assessments can be tiresome and lack the dynamic approach discussed previously, and net worth is really only nominal (because my net worth is less than Bill Gates', does that mean I'm financially unwell?).

A financial wellness program needs to look at the overall picture. Sure, John might be budgeting and debt-free, but maybe he's 55-years old and hasn't started saving for retirement. Maybe Jane is maxing out her retirement savings, but she's behind on her goal of saving for Junior's college education. Holistic means looking at corporate benefits, personal finance (budgeting, emergency funds, college savings, etc.), and retirement all together in the same program. It enables the program to ensure wellness throughout the participant's whole life, not just part of it.

PERSONALIZED

Finally, a financial wellness program needs to be personalized to the participant. This means throwing away rules of thumb and personalizing guidance to each person. For example, a rule of thumb might say Joe Participant needs \$250,000 for healthcare in retirement. A personalized approach will calculate year-after-year in Joe's zipcode what healthcare is likely to cost, and when Joe says he wants to retire 5 years earlier, it adjusts accordingly.

A good program is personalized to the individual by meeting the participant where she is and diving deep on the topics that's relevant to her life. It's dynamic by tailoring learning and guidance to be relevant, and as her concerns change, so does the program. And it's holistic by doing this without ignoring the other important topics she might not be considering.

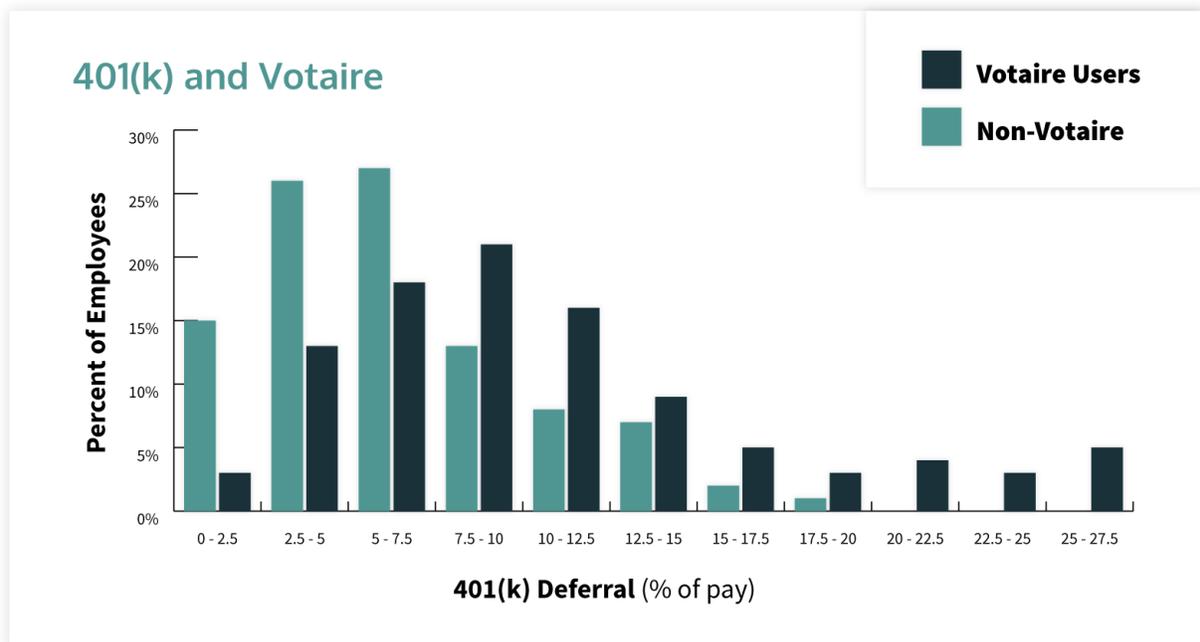
The Results

When a good program is put in place, the results can be truly astounding. A program that embeds financial wellness with the overall benefits package; drives engagement; and is dynamic, holistic, and personalized can drive real change within participants. By looking at case studies with some of its own clients that use Votaire, Nyhart’s financial wellness program, Nyhart was able to understand what can happen when a good financial wellness program is implemented.

Additional Retirement Savings

74% Participants that used Votaire saved 74% more toward their 401(k) than their coworkers who weren’t using Votaire.

Nyhart looked at 401(k) recordkeeping data from 1/1/2018 to 1/1/2019. Contributions as a percentage of salary for those that used Votaire were compared to those that did not use Votaire. The average Votaire user saved 74% more than the average participant who wasn’t using Votaire. These numbers aren’t skewed by a few high numbers, either – the median Votaire user saves 77% more than the median non-user.



Increased HSA Contributions

70% Participants that used Votaire were 70% more likely to increase their HSA contribution.

Nyhart looked at HSA contribution elections immediately prior to open enrollment, and participants were encouraged to step through Votaire before enrolling for the 2019 plan year. After open enrollment, HSA contributions were compared, and Votaire users were 70% more likely to increase their HSA contribution.

Supplemental Life Election

60% Participants who used Votaire were 60% more likely to increase their supplemental life coverage.

3x Of those that increased their supplemental life coverage, Votaire users did so by almost 3 times as much.

Nyhart again looked at supplemental life insurance elections prior to and after open enrollment, and participants were encouraged to use Votaire for open enrollment.

Conclusion

Implementing a financial wellness program is a great way to help employees alleviate financial stress, increase productivity, and even promote increased benefit utilization and saving. A financial wellness program should be embedded in the overall benefits package; engaging; and should be dynamic, holistic, and personalized. When done well, these programs lead to positive behavioral changes.

About Nyhart & Votaire

Nyhart is 75-year old actuarial and employee benefits consulting firm with over 2,000 clients in all 50 states. Nyhart's Votaire platform is a financial wellness program born out of pension and healthcare actuarial expertise. Votaire users are shown to have increased 401(k) deferrals, increase HSA contributions, and more.

About the Author

Sam Weiss is an Associate of the Society of Actuaries who has been working with Nyhart's Votaire platform since 2016. Before joining the Votaire team, Sam worked in Nyhart's healthcare consulting business, where he helped employers understand the costs of their health plans.

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