



Grow Your Practice with Financial Wellness

*Retirement planning is just the beginning.
Take the next step and help businesses
get their employees financially fit.*

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A more human resource.™



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Executive Summary

Even in an improving economy, financial stress is still widespread. Many people are living paycheck-to-paycheck and haven't been able to focus on long-term savings. Unfortunately, financial stress rarely stays at home and finds itself in the workplace. In fact, employees admit to spending an average of three hours a week¹ on personal financial matters while they're at work.

For employers, that translates into lost productivity, absenteeism, and higher health care costs. Employers are concerned about improving their employees' overall financial welfare, allowing them to focus on their jobs. Yet many aren't familiar with the concept of a financial wellness program, a growing trend in workplace benefits that seeks to address an individual's complete financial picture.

Financial advisors are uniquely positioned to help a variety of employers. Advisors with business owner clients can show them how financial wellness can help them solve a complex business issue. And those working on 401(k) plans can improve participation rates by addressing a broader range of financial issues.



Many people are living
paycheck-to-paycheck
and haven't been able
to focus on long-term savings.

¹ PriceWaterhouseCoopers, "Employee Financial Wellness Survey: 2015 Results" (April 2015)

Research Findings

For the purpose of this paper, we define financial wellness as a comprehensive approach that addresses a broad range of financial goals. Financial wellness addresses and supports employees' overall financial health rather than one aspect of financial planning, such as retirement readiness.

To assess the appetite for financial wellness programs among employers and financial advisors, a research study, commissioned by ADP and conducted by SourceMedia/Financial Planning, surveyed the two audiences in October 2015. The employer sample drew from 282 decision makers involved in their organization's employee benefits and reflects companies of all sizes and industries. The advisor sample reflects 289 financial advisors and Registered Investment Advisor (RIA) representatives offering or recommending a range of financial planning services, affiliated with firms of all types (e.g., national wirehouse, regional broker-dealer), with no assets under management requirement, and working with clients within a variety of industries and sectors.

Among the research's major finding is that adoption rates among both groups are low, with just one in five of employers offering such programs and only twenty-two percent of advisors providing consultation services for them. The surveys revealed that both groups lack awareness about what financial wellness is.

Introduction

In this paper, we report the advantages of financial wellness programs for both advisors and employers and look at how the two groups are currently working together to implement this benefit. Finally, we provide insights to contemplate that may provide a positive impact on a financial wellness program for clients.

The majority of U.S. adults report being under some kind of financial stress—even more than those who smoke or are obese.² Yet the workplace offers few programs to address employees' financial issues.

It is not for lack of concern by employers about their employees' well-being, however. According to the research, employers view financial literacy and education programs to be among their chief responsibilities. "We need to address all stressors employees are feeling," one employer says who participated in the survey. Adds another: "Most people have not saved for retirement or sudden health problems, and we need to figure out how to help them."

Until now, employers have taken a narrow view of finances, focusing primarily on retirement. That may be why many employers are not sure about what financial wellness is. One employer surveyed believes it to be, "being able to prepare fiscally for retirement," while another says it "refers to a competitive salary."

Advisors included in the survey also acknowledge the confusion. "It is a very difficult topic to grasp," says one advisor. "It has mostly to do with debt and spending, and not investing."

Key Takeaways from the Research

Employers are deeply concerned about their employees' financial stress, but **don't know much about financial wellness programs** that could help them.

Creating programs that employees will participate in **is the biggest concern for employers.**

Financial wellness can **generate referrals from high net worth clients** and help diversify a practice for advisors.

The program **can be integrated with other wellness and financial benefits** to reduce administrative burdens of creating a program from the ground up.

² "Stress in America: The Impact of Discrimination," American Psychological Association (March 10, 2016)

Key Findings



Research Insight:

Employers view financial literacy and education programs to be among their chief responsibilities when it comes to employees' financial wellbeing. As one employer surveyed says, "Most people have not saved for retirement or sudden health problems, and we need to figure out how to help them."

While advisors have been supporting 401(k) plans for businesses for some time, fewer have ventured into the area of financial wellness. Just twenty-two percent of advisors are working with employers on financial wellness programs although another forty-six percent are considering it.

Why the low adoption rate? It comes down to awareness. One in three advisors who don't provide financial wellness services say it's because they don't know enough about them. However, advisors who have embraced financial wellness believe it's a unique opportunity to expand their offerings and grow their businesses. "This will be a win-win for employers and employees and will present opportunities for RIAs who can facilitate this," one advisor says from the survey.

Viewpoint

- ▶ Raise awareness among employers on the business cost of financial stress.
- ▶ Demonstrate how financial wellness programs can improve employees' financial health and improve worker satisfaction.

Laying the Groundwork

Advisors surveyed see financial wellness as a natural next step for advisors who work on 401(k) plans or those who have clients who are business owners. In their opinion, it can generate referrals and lead to other types of advising engagements such as comprehensive financial planning or estate planning. “I see financial wellness as an area with unlimited growth potential,” one advisor says who participated in the survey.

Employers, meanwhile, are motivated by the desire to be responsible corporate citizens (Figure 1). Even those who do not yet make available a financial wellness program for their employees, say providing some aspects of a financial wellness program to their employees is important. For example, ninety-two percent are interested in presenting retirement planning basics; eighty-one percent say the same about financial literacy.

Advisors that work with financial wellness clients estimate that over two-thirds of them are small companies with fewer than 100 employees. Meanwhile, only eleven percent come from large companies, defined as those with 1,000 or more employees. And some industries may be more interested in offering the benefit than others. Thirty-nine percent of advisors work with companies in the manufacturing, healthcare, and finance sectors.

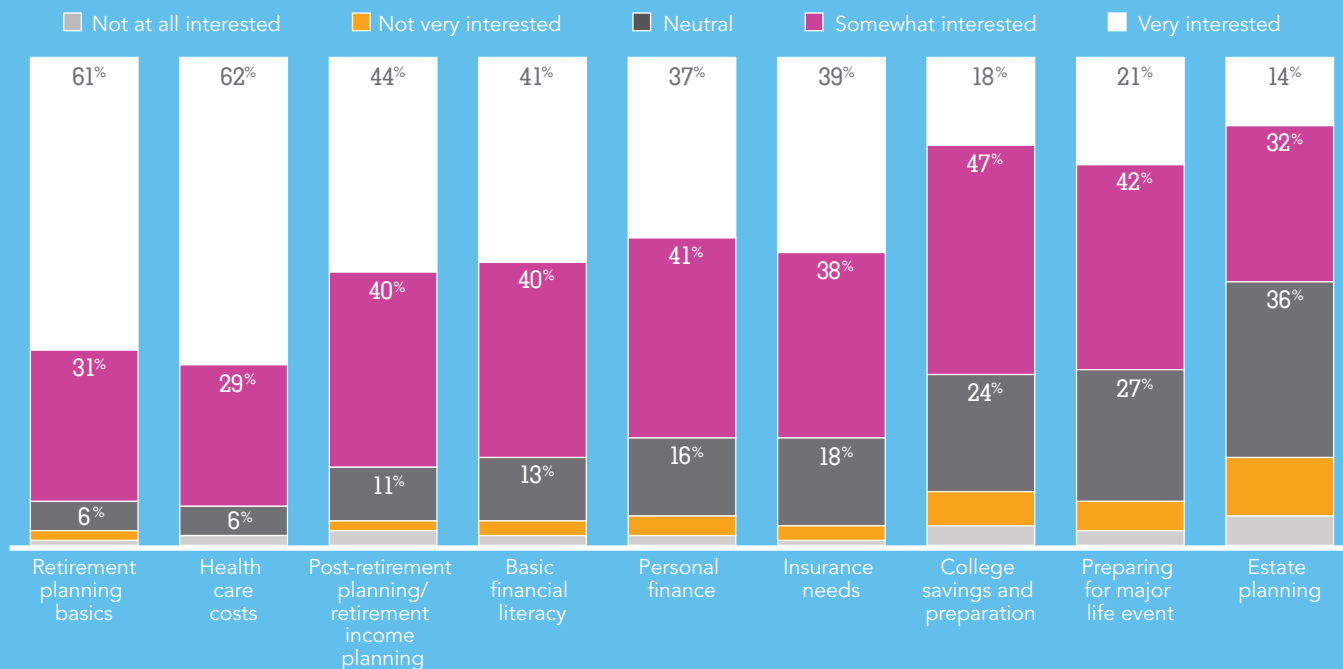
A photograph showing a close-up of a person in a dark suit writing on a document with a pen. In the background, other people in business attire are visible, some looking at documents. A blue rectangular box is overlaid on the right side of the image, containing white text.

Research Insight:

“I see financial wellness as an area with unlimited growth potential,” one advisor from the survey says.

FIGURE 1. EMPLOYERS ARE INTERESTED IN PROVIDING EMPLOYEES WITH KEY ASPECTS OF FINANCIAL WELLNESS.

Q. How interested are you in providing the following types of information to employees?
(Select one choice.)



n = 282 (Employers)

Source: Financial Wellness Study, SourceMedia Research 2015

Stricter fiduciary rules are also spurring employers to action on financial wellness. According to the research, more than a third of employers strongly agree that fiduciary concerns have created a need to address employees' financial problems. Since employers who offer retirement plans are considered fiduciaries under ERISA, some may find it hard to perform that duty if employees' financial knowledge is lacking. Well-educated employees who can make wise decisions about retirement pose less of a fiduciary risk.

A financial advisor who can help employers solve these complex business problems will be seen as a trusted partner. "A satisfied well-educated client is a great resource for future referrals," one advisor surveyed says. Adds another, "Any way you can deepen relationships is worth looking at."

Viewpoint

- ▶ Financial wellness programs can help you build stronger relationships with business owner clients.
- ▶ Show employers how a financial wellness program can improve productivity, reduce absenteeism, and lower health care costs.

From Insight to Implementation

One tool that is identified in the research as most likely to make employees eager to participate is one-on-one coaching. Among employers with financial wellness programs, sixty-nine percent provide personal financial coaching, as do eighty-two percent of advisors, suggesting they're one of the best ways to address employees' specific financial planning challenges.



Research Insight:

“Meet face-to-face at the beginning of the arrangement with every employee,” one advisor recommends who participated in the survey. “This will build confidence and the employees are more likely to take advantage of it once they know who you are and feel they can approach you.”

Viewpoint

- ▶ Personalizing financial advice can help employees address their specific financial challenges.
- ▶ Use mobile apps and online tools to engage younger employees and give them the opportunity to interact in whichever channel they are most comfortable.
- ▶ Introduce financial wellness by integrating it with existing wellness or financial education programs.

Be aware that a changing workplace demographic may necessitate using multiple tools. Millennials and Generation Z may be more interested in online quizzes, calculators, and games. The research shows that thirty-eight percent of employers provide mobile apps as part of their financial wellness programs, but only twenty percent of advisors include them in their service offering.

The simplest way to start, say both employers and advisors, is to build a program around existing wellness and financial programs like a retirement plan. That can keep expenses low and lessen the administrative burden. “The better you can integrate it with your other benefits the better you will be,” one employer who was surveyed notes.

Two-thirds of advisors who work on financial wellness say their programs are integrated with an existing workplace retirement plan offering, as do the same number of employers. Sixty-two percent of employers say it is integrated with their health and wellness programs.

Putting Wellness to Work

As the research shows, employers are eager to help their employees reduce their financial stress, but many employers are not sure how to start. They need a partner to shepherd them through the process.

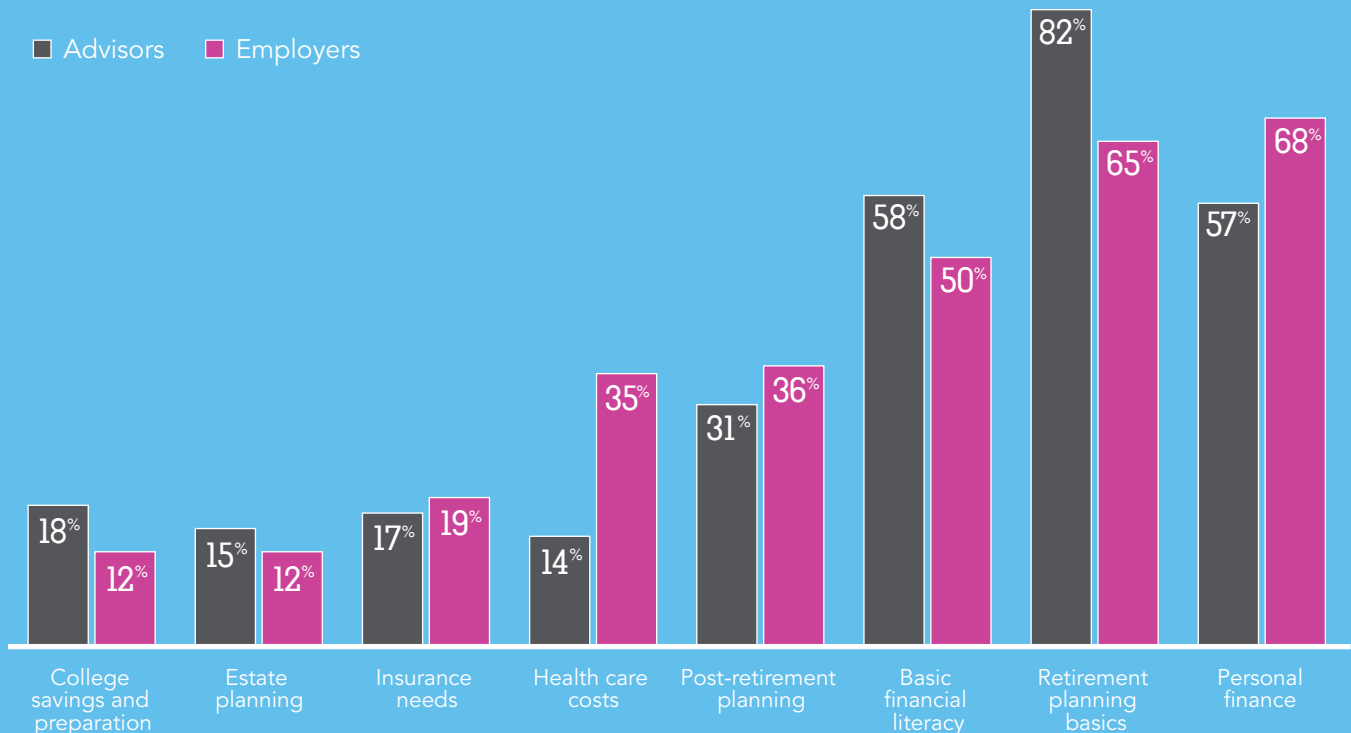
In fact, fifty-eight percent of employers who have a financial wellness program say their most effective resource was a financial advisor or planner. By offering a holistic perspective, advisors can guide employees to better financial decisions and improve their retirement readiness. "All financial planning involves financial wellness," one financial advisor noted from the survey. "That is what we do for all clients."

For financial wellness programs to be worthwhile, the research shows that they must include some key topics that employees will find meaningful. Mostly, employers and advisors agree on what those components should be (Figure 2). Over two-thirds (sixty-eight percent) of employers say they incorporate personal finance, including budgeting and debt management as top components in their financial wellness programs. After that, employers believe that the most important components are retirement plan basics, financial literacy, and retirement income planning.

FIGURE 2. EMPLOYERS AND ADVISORS SHARE VIEWS ON TOP COMPONENTS OF A FINANCIAL WELLNESS PROGRAM.

Q. (Employers). Thinking of your employees' financial wellness needs, what are the top 3 components of a workplace financial wellness program. (Select up to three choices.)

Q. (Advisors). Of the following choices, which are the most important components of a workplace financial wellness program? (Select up to three choices.)



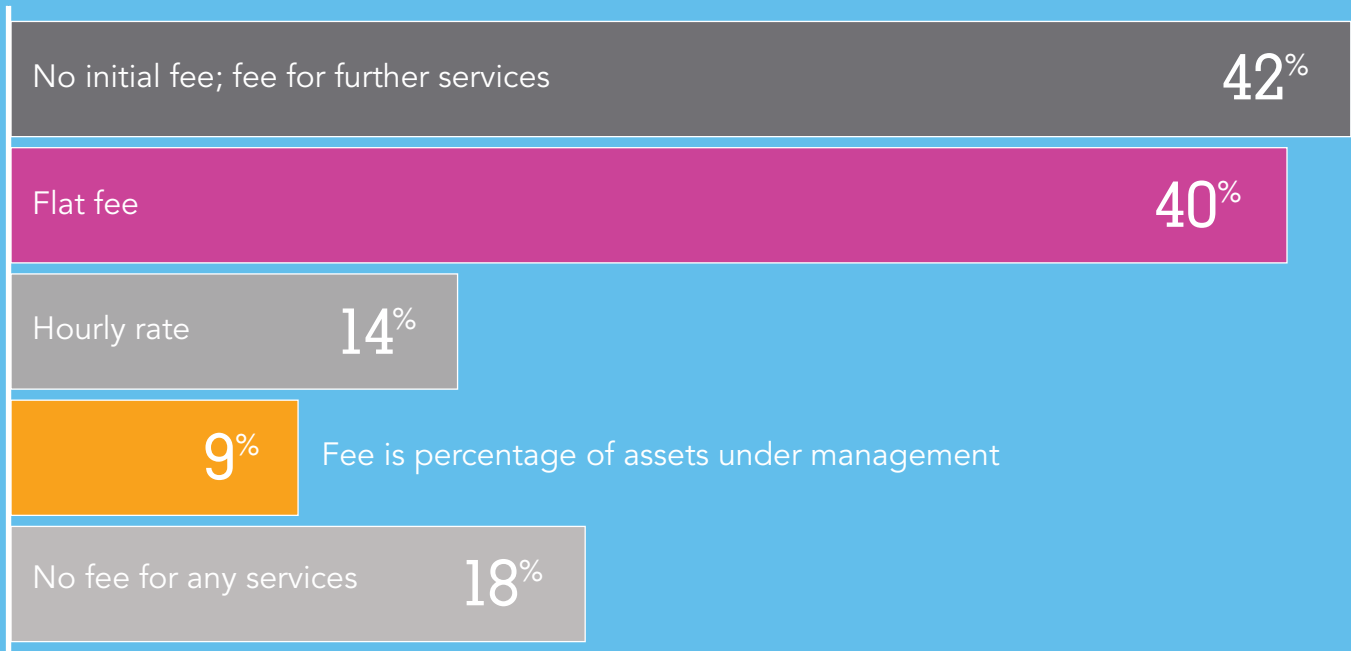
n = 78 (Employers currently implementing a financial wellness program or have a strategy); 65 (Advisors working with employers)
Source: Financial Wellness Study, SourceMedia Research 2015

In addition, thirty-five percent of employers say that health care costs should be included as a top component in a financial wellness program too (though only fourteen percent of advisors believe that to be the case). Employers are understandably concerned about this escalating cost and they want employees to learn ways to manage it. Even employees who are covered by a health insurance plan can suffer a financial shock if they're not prepared. Employees may not understand how high-deductible health savings accounts (HSAs) work or how they can take advantage of other wellness programs in their benefits package. Financial wellness can help them manage this major expense.

According to the research, advisors use different business models when they work with businesses on their financial wellness. The most popular method is to provide consultation on setting up a program and a smaller number consult on managing the benefit once it's established. Many advisors do both, first creating the program then managing it. The least popular way to work on employee financial wellness is on a referral basis, with only thirty-seven percent of financial advisors using this method.

FIGURE 3. ADVISORS USE A VARIETY OF BUSINESS MODELS TO MAKE FINANCIAL WELLNESS WORK.

Q. Which of the following best describes your fee structure when working with employers?
(Select all that apply.)



n = 65 (Advisors currently working with employers)
Source: Financial Wellness Study, SourceMedia Research 2015



choose your fee structure carefully

and have frank discussions
with employers about
how they plan to pay for
your services

Viewpoint

- ▶ Include as many components that will address employees' most pressing financial issues.
- ▶ Consider your fee structure carefully and be transparent about it.
- ▶ Help employers understand the cost of a financial wellness program so they can make the best decision for their company.

Finally, it's important to choose your fee structure carefully and have frank discussions with employers about how they plan to pay for your services (Figure 3). Among advisors who provide financial wellness, many (forty-two percent) don't charge an initial fee and some advisors later bill for additional services or charge a flat fee (forty percent) upfront.

Employers themselves have different ways of paying for the service. Over half (fifty-six percent) cover the full cost and an additional forty percent either split the cost with employees or offer them discounts, supporting the view that employers believe the benefit to be an important one.

Don't Let the Challenges Stop You

42% of advisors say that
**lack of employer
commitment**
is their biggest concern,
followed by limited resources and staff.

Even the most successful financial wellness program encounters some challenges along the way. Be aware of the most common ones and design your financial wellness program to address them. According to employers, their biggest obstacle is getting employees to participate. "Even among employees with financial problems, I have seen a lack of interest in learning more about money management," one employer surveyed commented.

Based on the research, you can increase the chance of employee participation by tailoring a program to meet their specific needs. For example, a company with a large millennial workforce may need financial education centered on debt management, budgeting, and retirement basics. Baby Boomers, on the other hand, may need strategies for retirement income planning.

The research suggests that advisors should consider designing their wellness programs to engage employers. Forty-two percent of advisors say that lack of employer commitment is their biggest concern, followed by limited resources and staff. "The leadership team has to be on board or the effort will flounder," one advisor states who participated in the survey.

Since employers are the gatekeepers to any new workplace benefit, a robust education effort is one key for success. Even after a financial wellness program is established, company leadership still needs to be reminded about why it's important so they can champion the program. "Find the right person in the organization. It isn't always the CEO or HR manager," recommends one advisor surveyed.

Viewpoint

- ▶ Consider surveying employees so you can design a financial education program that meets their needs.
- ▶ It can be beneficial to continue your education and communication efforts with employers even after a financial wellness program is established so their commitment to it stays strong.
- ▶ Use games and incentives to engage employees in a fun and light-hearted way.

Employers may not realize how much financial stress costs their business in lost productivity, absenteeism, and higher healthcare expenses. And they may not know that financial wellness—like other wellness programs—can have a high return on investment. Some studies suggest that wellness programs may have a return of \$1.50 for every dollar spent.³ In a tightening labor market, a financial wellness offering can be an important company differentiator that helps to attract and retain talent.



**“Employees seek out employers
that offer this unique benefit,”**
one advisor surveyed notes.

³ Source: RAND (2014), http://www.rand.org/pubs/research_briefs/RB9744.html

Conclusion

Many would agree that financially fit employees are better employees. They're more productive, miss fewer days of work, and have fewer healthcare problems. Employers have a vested interest in creating a workplace that fosters this sense of financial wellbeing. They just don't know enough about how to do it.

You have an opportunity to educate employers about how a financial wellness program can be a cost-effective way to help their employees solve their most pressing financial issues while also helping companies improve their bottom lines. And you can be a valuable resource to help them launch and implement a sophisticated plan that's tailored for their workforce.

In the end, you'll have the opportunity to strengthen relationships with business owner clients, increase referrals among high net worth clients, and diversify your practice. Talk about a win-win.

financially fit
employees
are better employees



Methodology

SourceMedia Research (a unit of SourceMedia, publisher of Employee Benefit News) conducted two online surveys in October 2015 of 282 employers and 289 financial advisors. The employer sample drew from Employee Benefit News subscribers who hold a managerial level or higher role at their organization and are involved in their organization's employee benefits. The employer sample reflects HR/decision makers in companies of all sizes. The advisor sample drew from Financial Planning subscribers who are involved in offering or recommending financial services to clients. The advisor sample reflects individuals working in firms of all sizes, offering a range of financial planning services, and working with clients within a variety of industries and sectors.

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