Workplace financial wellness

Insights on definition, design, and what’s driving decisions
Introduction

The tide appears to be turning in favor of financial wellness programs in the workplace. While lagging more traditional benefits (e.g., health insurance and 401(k) plans), financial wellness programs are closing the gap. And employers are coming to see financial wellness programs within a comprehensive compensation and benefits package as a way to improve the use of other benefit options, particularly retirement benefits.

Executives are the chief decision makers on whether to add financial wellness programs but only with substantial input from human resources, employee benefits and finance. As outlined in the following pages, data from our employer survey found no material differences among the attitudes of these groups. Indeed, they were in broad agreement about the advantages and challenges of implementing financial wellness programs. Their chief concerns center on potential costs and resource demands.

That said, an aggregate view of employers’ aims for such a program—including its individual components—points to a program that may be easily managed in the context of existing benefit programs and fee structures. A financial wellness program that serves as a complement to existing programs may be able to potentially drive better outcomes for employees, higher utilization of employer-sponsored savings and investment programs, and productivity gains from a reduction of financial-related stress.

Adoption
Financial wellness programs are becoming more common as part of a holistic workplace benefits and compensation package. Employers that have no plans to consider financial wellness may want to rethink that position, as a majority of employers now offer, or are considering offering, this benefit.

Need
An overwhelming majority of employees would use a financial wellness program were it offered—a survey result that fits with previous research that found that employees at all levels want and need help managing their finances.

Definition
The concept of financial wellness eludes precise definition but can be understood to mean better financial outcomes and reduced financial stress as a result of taking ownership of one’s financial well-being.
**Design**
The broad outlines of financial wellness programs are visible in the survey results: guidance on basic financial principles, online access to education/tools, integration with the rest of the workplace compensation and benefits package, and the delivery of a measurable impact on retirement plan usage and readiness.

**Cost and Resources**
Financial wellness as a benefit may not be as resource-intensive or costly as employers fear, even though a basic program could be a new benefit offering. Concerns around cost and resource demands can be addressed by 1) leveraging existing provider programs and fee structures, 2) tying together current benefits programs with financial wellness education and assessment tools, and 3) setting clear objectives for success around retirement issues.

**Integration**
Supporting the concept of financial wellness can be viewed as a way of bringing together, and enhancing, the suite of benefits that employers already offer and believe deliver value to the company and its employees.

**Outcomes**
Employers should take a deeper look into the potential value of such programs—they may help employees take better advantage of other benefits, enhance the value of equity compensation programs, drive retention, improve retirement plan outcomes, and reduce the impact of financial stress on employee productivity.

This report is intended to help executive management—and those with substantial input into the benefit design process—understand and sort through the key issues driving higher adoption of financial wellness programs. Together with employer data from the survey, the report integrates data from the Schwab Retirement Plan Services 2016 401(k) Participant Survey in an effort to draw a complete picture of employee demands around financial wellness and the potential benefits for employers.
Section 1: The state of financial wellness programs in the workplace

More than 50% of the employers surveyed have implemented or are considering implementing a financial wellness program as part of a comprehensive workplace benefits and compensation package: 38% have already implemented financial wellness, and an additional 14% are considering offering such a benefit.

Survey data also point to an unmet need, measured by levels of penetration as well as by breadth of implementation. Many employers see financial wellness as an important benefit although they do not yet offer a program. Most employers that offer financial wellness support do not yet fully integrate it with the rest of their benefits package. Finally, a large majority of employees want and need more help with personal finances—and would use a financial wellness program if one were offered.

Although financial wellness programs have not yet reached the level of penetration of other longstanding benefits offerings (e.g., retirement savings and insurance options), they are gaining momentum as part of a broad mix of benefits. (Exhibit 1) Financial wellness lags sharply among the benefits “currently offered,” but when one adds the employers “considering” financial wellness, the combined total of 52% begins to close the gap with secondary benefits such as tuition reimbursement and employee recognition. Further, the survey revealed a high level of commitment among firms that offer or are considering offering financial wellness: 77% of such firms agree that they should offer it as a core employee benefit.

Exhibit 1: Benefit programs
(% of employers offering or considering)
“The American workplace is moving toward financial wellness,” said Marc McDonough, vice president of Schwab Stock Plan Services. “More than half of employers in our survey have implemented or are considering a financial wellness program and employees show a high demand for assistance and advice when dealing with financial issues.”

**Employees’ wants and needs**

Comparing the employer financial wellness survey to the participant survey, one sees a gap between employees’ need for assistance on a wide range of financial issues and employers’ efforts to address those needs in a holistic way. The participant survey found that:

- A majority of employees spend time at work taking care of personal financial issues.
- Employees are dealing with a wide range of financial stressors—credit card debt, children’s education, student loans, and medical expenses, in addition to retirement savings.
- Fewer than half of employees know how much they needed to save for a comfortable retirement.
- A majority of employees (56%) are “not very confident” or only “somewhat confident” in their ability to make the right 401(k) investing decisions.
- Seventy percent (70%) of employees said they would like personalized investment advice as part of their 401(k) program.
- Eighty-five percent (85%) of employees said they would use a financial wellness program if one were offered.

Moreover, broad retirement and wellness benefits are increasingly seen as “must-haves” for potential employees. More than 90% of employees would think twice before taking a job that did not offer a 401(k) or health insurance benefit. In the employer survey, many said that they believe financial wellness is becoming another “must-have”—with 44% of firms saying that such an offering is essential to being a competitive employer.

**Adoption rates and program integration**

The current employer survey highlighted a gap between the perceived levels of importance of financial wellness programs (Exhibit 2) and the adoption rate of such programs. In a second significant gap,
Financial wellness offering is fully integrated with rest of benefits package.

Participation in financial wellness program is endorsed and strongly encouraged.

Financial wellness program is recommended.

In the first case, one can compare the relative importance of financial wellness to employee recognition and tuition reimbursement benefits. As a “top three” most important benefit, they ranked as follows:

- Employee recognition: 27%
- Financial wellness: 25%
- Tuition reimbursement: 16%

Yet even while financial wellness ranked as equal in importance to employee recognition, and more important than tuition reimbursement, it lagged both of those in terms of adoption. Omitting the “considering” group of respondents, the portion of employers currently offering these three benefits is:

- Employee recognition: 60%
- Tuition reimbursement: 60%
- Financial wellness: 38%

In the second case, even employers that offer financial wellness programs may not be structuring them for maximum impact and benefit.

A key goal of financial wellness programs is to get employees to take ownership of their financial well-being: to take greater responsibility for, and exercise greater control over financial decisions, while taking deliberate action steps to improve their financial situation.

A majority (59%) of employers said the best way to structure financial wellness programs is to integrate the offering with the rest of the benefits package. Yet only a minority of firms currently offering or considering a program do so: 46% simply communicate the available option, while 29% go slightly further and endorse participation. Only 25% of firms achieve full integration of financial wellness with other benefits.
Section 2: Defining the concept of financial wellness and its potential benefits

Despite the growing adoption of financial wellness programs by employers, there remains a lack of clarity surrounding the definition—and potential benefits—of the concept itself. This lack of clarity may be constraining the growth of financial wellness as a core benefit offering. If one cannot define the concept of financial wellness and set clear parameters around the program, it can be difficult for decision makers to justify adding it.

Quotes from survey respondents offer valuable insight into the many dimensions of the term “financial wellness.” (See sidebar.) Respondents were asked to “define financial wellness in one or two sentences,” and their definitions of the term can be broadly grouped into three types:

- State of mind—freedom from worry (qualitative outcome)
- Financial preparedness (quantitative outcome)
- Financial planning tools and behaviors (process/engagement)

With such an expansive definition, it should be no surprise that executive decision makers hesitate to add what they perceive could be a large and potentially burdensome program. In fact, those who do not offer financial wellness programs cite uncertainty about the potential value and required resources as key obstacles to adoption. (Exhibit 4) In addition, the verbatim definitions may include features that, in their view, either duplicate what the company already offers (e.g., retirement planning tools), or fall outside the purview of employee benefits (e.g., budgeting, debt management).

It is also important to note that the ultimate decision to add a financial wellness benefit rests squarely with executive management, not human resources or employee benefits. (Exhibit 5) To be sure, those other departments have input into the decision and are considered key influencers but executive management, based on overall corporate priorities, has the final say. In order for financial wellness to gain more widespread adoption, this group will likely have to see—and be convinced of—its value.
Exhibit 4: Obstacles to offering financial wellness

- Why not offer it? “Didn’t think about it”
- Why not offer it? “Benefits don’t outweigh the costs”
- Why not offer it? “Don’t know the benefits”
- Chief obstacle: “Not enough staff/resources to support it”
- Chief obstacle: “Not a company priority”

Three dimensions of financial wellness (employer answers)

**State of mind—freedom from worry**
- “Financial wellness means not staying up at night wondering whether or not I am on the right track to meet my financial goals.”
- “Peace of mind. Ability to provide for your family.”
- “Ability to live comfortably without stress or worry of the ability to meet financial responsibilities.”
- “The confidence in available assets to maintain one’s lifestyle for life.”

**Financial preparedness**
- “Being prepared to meet your current and future financial needs, including starting a family, consumption, housing, education and retirement.”
- “The likelihood of meeting various financial goals, not only retirement income but pre-retirement lifestyle/spending needs.”
- “A 70% replacement ratio retirement goal and contribution level.”
- “Emergency fund full, no debt, or limited debt for home, and a balanced plan for saving for retirement. Also, adequate insurance for those unexpected catastrophes that may interrupt your working career.”

**Financial planning tools & behaviors**
- “Financial wellness includes debt management (if applicable), financial planning/estate planning/insurance/retirement planning, education assistance for the employee and their family, employee discounts, budgeting, emergency saving and saving in general, including buying a house and having a baby, etc.”
- “Having a comprehensive retirement plan that addresses the optimal structure to provide long-term targets for savings, health care, and growth targets.”
- “A program to help employees structure their benefits and salary so that they can focus on being productive in their job.”
- “Financial wellness is a program or set of programs designed to improve employees’ financial behavior and outcomes while also driving business impact. For employees, financial wellness is holistic and defined by health, not wealth.”
Defining the employer benefit

“Financial wellness is less a ‘thing,’ or a particular set of tools that may evolve over time, and more about greater ownership of one’s financial future and well-being,” said Nathan Voris, managing director of business strategy for Schwab Retirement Plan Services. “Associated with that greater ownership are some specific engagement steps that may help each individual employee get to the best outcome for them.

“These engagement steps should be thought of as additive, not duplicative of existing benefits and compensation programs,” he said. “And with respect to benefits for the employer, we would expect greater usage and effectiveness of existing benefits, and potentially a positive impact on stress-related declines in productivity.”

In particular, financial wellness tools may improve the effectiveness of existing retirement plans. Saving enough for retirement is the No. 1 financial stressor for employees—including millennials. In the participant survey, retirement was cited twice as often as the next most stressful financial issue of credit card debt. The participant survey found that:

- Employees cited a wide range of obstacles to retirement savings in almost equal measure: not wanting to sacrifice current quality of life (32%), unexpected expenses (30%), children’s education (29%), inability to pay monthly bills (24%), and credit card debt (23%).

- Participants say they want more help on a wide range of retirement decisions, from calculating a retirement savings target to determining an appropriate retirement age, calculating retirement living expenses, and anticipating tax expenses in retirement.

Exhibit 5: Who are the financial wellness decision makers?

Q: How much influence do the following job functions at your organization have on whether or not to offer financial wellness programs to employees? (Multiple answers allowed.)

<table>
<thead>
<tr>
<th>Job Function</th>
<th>Influence Level</th>
</tr>
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<tbody>
<tr>
<td>Executive Management</td>
<td>61%</td>
</tr>
<tr>
<td>Human Resources</td>
<td>50%</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>50%</td>
</tr>
<tr>
<td>Finance</td>
<td>47%</td>
</tr>
<tr>
<td>(all others ranked 18% or lower)</td>
<td></td>
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<tr>
<td>(all others ranked 34% or lower)</td>
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</tbody>
</table>
Seventy percent (70%) of participants would like personalized investment advice on 401(k) decisions.

Data also indicate that individualized support can play an important role in addressing the issue of confidence. Only 44% of participants are confident about making their own retirement planning decisions, but 74% are confident when they have help from a professional.

Given the breadth of retirement concerns and the number of obstacles standing in the way of retirement savings (e.g., lifestyle, debt, education costs, etc.), financial wellness assessments, management tools, and access to help and guidance may help improve retirement plan outcomes. Indeed, improving participation rates and outcomes was cited by respondents to the employer survey as their top success metrics for financial wellness programs. (See infographic.)

Finally, financial difficulties can cause stress-related declines in employee productivity, according to employee benefits professionals. And in the participant survey, employees admit to spending time at work taking care of personal financial issues (67%), managing their 401(k) investments (56%), and reviewing non-retirement investment accounts (41%). Given the wide range of stressors reported by employees, reducing that stress may deliver a beneficial productivity impact to employers.

“Our conclusion, from a wide range of data and studies, is that guidance, benefit plan design, and actionable tools make a big difference for employees,” Voris said. “A reasonable goal of financial wellness programs would be to help reduce financial stress and help employees make better use of their retirement benefits, potentially improving their outcomes.”

How do you (or would you) measure the success of a financial wellness program? (Multiple answers allowed.)

- Increased participation in retirement programs
  - 62%
- Higher scores on retirement readiness
  - 49%
This survey polled employers about a wide range of components of financial wellness programs (education, tools and access, etc.) and asked them to rank these elements as “must-have,” “nice to have,” or “not necessary.” All 23 program elements were seen by employers as necessary to some degree—no program elements received a majority rating of “not necessary.” In fact, for 18 of the 23 program elements, the portion of “not necessary” ratings was 10% or below. The highest “not necessary” rating was a mere 15%.

Thus, all the program elements listed in the survey are considered important to some degree. Those readings, paired with the respondents’ definitions of financial wellness, suggest the concept of financial wellness encompasses many dimensions of personal finance, general education on financial planning principles, and a select suite of planning and assessment tools. Sorting out the “must-have” from the “nice to have” elements provides insight into the priorities of employers when it comes to financial wellness.

The “must-have” elements selected by a majority of respondents all related to broad-based financial planning education and assessment. More specific types of education and planning—college savings, short-term budgeting, and managed account portfolio building—were seen as “nice to have.” (See sidebar.)

Section 3: Financial wellness program design

When asked about choosing program providers, respondents cited “offering quality content” (35%) and “inspiring employees to take responsibility for their financial future” (25%) as the most important criteria.

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Elements of a financial wellness program: “must-have” versus “nice to have” (Selected by 50%-plus of survey respondents)

**Must-have**
- Online access
- Broad financial education (e.g., saving fundamentals, debt management, goals-based planning, asset allocation)
- Narrow suite of planning tools (e.g., financial wellness assessment, interactive financial planning, retirement progress)

**Nice to have**
- Supplementary access channels (e.g., phone, in-branch advisor)
- Niche education topics (e.g., college savings, short-term budgeting and saving, portfolio building and managed accounts)
- One-on-one advice (e.g., advisor consultation [one-time or ongoing], workshops, automated advisory service)
Exhibit 6: Top reasons for not considering a financial wellness program (% of respondents)

- 37% Benefits don’t outweigh the costs
- 33% Insufficient staff/resources to support it

Key findings from the participant survey¹ can help inform employers when evaluating program elements. Specifically, participants want more help and guidance on a wide range of retirement decisions, from calculating a retirement savings target to determining an appropriate retirement age, calculating retirement living expenses, and anticipating tax expenses in retirement. This suggests that in addition to education, employees want help putting knowledge into action to create a plan and work toward their unique goals.

The emphasis on broad-based education, rather than education on specific topics, again suggests that employers should take a broad view of the deliverables for any financial wellness program. But the emphasis on basic financial literacy education, together with the lack of an advice component, may decrease the effectiveness of such programs for senior staff or tenured employees with more complex financial circumstances.

Pre-retirees are a good example. These employees likely will have significant savings in a workplace retirement plan as well as additional assets outside the plan (e.g., real estate and securities). They may face greater complexity in planning, with a heavier focus on principal protection, retirement income projections, and even health care cost budgeting.

“Financial wellness means different things to different kinds of employees,”

McDonough said. “So while generic education and tools are useful to a broad cross-section of employees, it’s important not to forget those who need a higher level of advice and planning.”
A manageable financial wellness agenda

Despite a lack of clarity on the definition of financial wellness as a concept, employer survey data reveal agreement on the basic outlines of any potential financial wellness program. One can distill the survey results into a set of four key principles, which may help to guide the development and implementation of financial wellness as part of a holistic workplace benefits and compensation package. (See box.)

Many such education and planning elements are available as basic elements of today’s 401(k) and equity compensation plans. Common goals for financial wellness align very closely to existing goals for retirement and compensation plan benefits. The missing link, it appears, is full integration with other benefit programs.

“The basic program outline we gleaned from this survey is in fact quite manageable,” Voris said.

“Getting started on a financial wellness program may be as simple as leveraging existing benefits and compensation programs, and tying them together with financial wellness education and assessments.”

The alignment with existing programs and priorities also fits with employers’ concerns about costs and resource demands. (Exhibit 6) More than 60% of employers would expect financial wellness services to be covered under existing provider fees. Working within existing program structures and program fees may suit the demands of employers regarding costs and resources without compromising the effectiveness of a financial wellness benefit.
Conclusion

The increasing adoption of financial wellness programs means they are becoming a core, rather than an optional or nontraditional, part of employee benefit and compensation packages. According to the employer and employee surveys, providing access to a financial wellness program is increasingly considered necessary to being a competitive employer. Employees, faced with a wide range of financial concerns and stresses, say that they need help and would use a financial wellness program if they had one. And employers facing cost and resource constraints may find financial wellness to be a program of manageable scope, easily implemented with the help of current benefit providers, that may help them get the most out of the valuable and important benefits they already offer, rather than a duplicative or burdensome program.

Although the employer survey uncovered a broad range of definitions for financial wellness, it did reveal general agreement on the aims and potential components of such a benefit.

- **Aim:** Improved outcomes for all employees based on greater ownership (i.e., responsibility, control, action) over financial decisions and well-being—particularly with regard to retirement.

- **Components:** Online access to education on broad financial principles, offered with a narrow suite of wellness assessment and retirement planning tools.

This updated picture of a financial wellness program may, in fact, overlap many of the benefits and program features currently in use by employers. Those programs may be leveraged to help build a financial wellness benefit without adding costs or significant resource demands. Such an approach may help meet each employer, and each employee, where they already are, starting with what’s already available. Rather than being an expensive, stand-alone program, financial wellness could be a way to tie together a range of disparate benefits for maximum usage and potential improved outcomes.

To find out more about our approach to supporting workplace financial wellness—and leverage what we’ve learned to help your employees to take ownership of their financial lives—please contact your relationship manager or call 1-877-456-0777.
Employer survey scope and method. This survey investigated the attitudes and practices of employers around the definition and adoption of financial wellness programs. The online survey of U.S. and Canadian institutions was conducted by P&I Content Solutions group for The Charles Schwab Corporation. Statistical analysis was conducted by Signet Research Inc. Neither P&I nor Signet Research is affiliated with, nor employed by, The Charles Schwab Corporation. The survey is based on 302 interviews conducted in November and December 2016, and has a 5.6% percent margin of error at the 95% confidence rate. Survey respondents were drawn from three groups: 1) P&I’s Research Advisory Panel; 2) a sample selected from the Pensions & Investments audience, including executives with CEO, CFO, and treasurer titles; and 3) a list of current Schwab Compliance Solutions’ clients.

Sources

1. Schwab Retirement Plan Services 2016 401(k) Participant Survey. This online survey of U.S. 401(k) participants was conducted by Koski Research for Schwab Retirement Plan Services. The survey is based on 1,000 interviews and has a 3% margin of error at the 95% confidence level. Survey respondents worked for companies with at least 25 employees, were current contributors to their 401(k) plans, and were 25–70 years old. Survey respondents were not asked whether they had 401(k) accounts with Schwab Retirement Plan Services, Inc. All data were self-reported by study participants and were not verified or validated. Respondents participated in the study between June 2 and June 8, 2016.

2. A 2016 study by the International Foundation of Employee Benefits Plans revealed that four out of five employers find their employees’ personal financial issues have an impact on job performance, which leads to increased stress, an inability to focus at work, and absenteeism and tardiness. (https://www.ifebp.org/bookstore/financial-education-2016-survey-results/Pages/financial-education-for-todays-workplace-2016-survey-results.aspx)
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