Financial Wellness in the Workplace

What’s in it for you?
Today’s Discussion and Presenters

• Financial Wellness: What it is and Why it Matters

• Engaging Employees in their Financial Well-being

• Building the Business Case

Lori Block
Principal — Engagement
Total Wellbeing Strategies

Amy Finsand
Principal — Engagement
Communication Strategies

Patrick Coughlin
Principal — Wealth
Retirement Strategies
Which of the following would you choose?

A. An annual income of $50,000, while the people around you earn $25,000 a year.

B. An annual income of $100,000, while the people around you earn $200,000 a year.
While the obvious “answer” seems to be B...

Nearly half the people presented with these options pick the lower salary of $50,000 a year.

When it comes to money and material possessions, the amount (in the case of cash) is less relevant than how it compares to others’ income and possessions.

Financial Wellness: What it is

Financial well-being can be defined as a state of being wherein the individual:

- Has control over day-to-day, month-to-month finances
- Has the capacity to absorb a financial shock
- Is on track to meet financial goals
- Has the financial freedom to make the choices that allow the individual to enjoy life

Source: Consumer Financial Protection Bureau
Why it Matters

80 percent of employees report spending between 12–20 hours of work time per month dealing with personal financial issues.¹

Two out of five workers (38%) are facing more personal financial challenges now compared with the onset of the Recession in late 2007; less than one-quarter (23%) of respondents indicated employees are experiencing more personal financial challenges now compared with 12 months ago.²

29% of employees said that personal financial issues have been a distraction at work.¹

61% of employees said that they find dealing with their personal financial situation to be very stressful.³

Of those who reported a financial impact as major or devastating: 63% described themselves as now living paycheck-to-paycheck; 42% reported running higher credit card balances; 43% said they had missed bill payments, mortgages and loan payments and admitted borrowing from friends and family.⁴

3. SHRM, Financial Wellness in the Workplace
4. MetLife Accident and Critical Illness IQ Study, October 2013
## Addressing Physical and Financial Well-being: A Tale of Two Workplace Journeys

### Physical Health

- Increased cost sharing, but also...
  - Maintained base level of protection; employers (largely) kept risk responsibility
  - Introduced health improvement programs to encourage healthy behaviors
  - Invested in tools, technology, and communications to drive behavior

### Financial Health

- Increased cost sharing, but also...
  - Largely eliminated basic safety net (DB plans); transferred risk to employees
  - Introduced 401(k)s with few incentives to participate beyond tax advantages and a match
  - Abdicated engagement to third-party vendors; offering tools primarily (often solely) focused on increasing DC Plan contributions
Today, employers are starting to take a “cross-fit” approach to wellness...

Employers recognize the value of physically healthy, productive workers.

And, increasingly, employers are recognizing the impact of a financially unhealthy population...
... that supports the entire individual.

- Purpose
- Physical
- Financial
- Social
- Community

Source: Gallup – Healthways Well-Being Index®
Which is a better predictor of financial well-being?

A. Actual income level

B. Perceived level of security and control
It’s About Control

The perception that you have more than enough money to do what you want to do — has three times the impact of your income alone on overall well-being.

Further, a lack of worry about money has more than doubled the impact of overall well-being than income alone.

Ways to Engage Employees

The Path to Financial Well-being and Retirement Readiness
It Takes More Than Education to Affect Change

Information
- Understand your audience
- Obtain leadership endorsement
- Promote, edutain and engage each individual

Incentives
- Create and support intrinsic and extrinsic motivators
- Offer plans and programs that support the right behaviors

Infrastructure
- Make it easy
- Track activities and progress—individual and aggregate
- Offer tools that support both the DIYers and the “Do it For Me’s”
It Takes More Than Education to Affect Change

Information
• Understand your audience
• Obtain leadership endorsement
• Promote, edutain and engage each individual

Incentives
• Create and support intrinsic and extrinsic motivators
• Offer plans and programs that support the right behaviors

Infrastructure
• Make it easy
• Track activities and progress—individual and aggregate
• Offer tools that support both the DIYers and the “Do it For Me’s”
Start by knowing what keeps your employees up at night…

### Causes of Financial Stress

- **Debt/credit card debt**: 48%
- **Expenses**: 36%
- **Emergency/unexpected expenses**: 35%
- **Cash flow/lack of funds**: 34%
- **Budgeting**: 33%
- **Mortgage/foreclosure**: 33%
- **Medical**: 32%
- **Retirement**: 32%
- **Unemployment**: 31%
- **Education**: 28%
- **Taxes**: 28%
- **Aging parents**: 28%
- **Rent payments**: 25%
- **Bankruptcy**: 25%
- **Employee**: 13%
- **Employer**: 12%
- **Source**: SourceMedia Research, 2013

Source: SourceMedia Research, 2013
...and recognize that one size does not fit all.

### Differences by Generation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proper distribution strategies</td>
<td>Losing their pension, savings or job and being unable to retire</td>
<td>Raising children, preparing to care for aging parents and saving for their own future</td>
<td>More worried about debt than their day-to-day expenses</td>
<td>Affording college and student loans; having their identity stolen</td>
<td></td>
</tr>
</tbody>
</table>

| Communication Approach       | Formal style; print; conventional mail; face-to-face or phone; some online | Semi-formal style; print; conventional mail; face-to-face; online tools and resources | Not so serious, irreverent; online; some face-to-face meetings (if really needed); games, technological interaction | Eye-catching, fun; online; wired; seamlessly connected through technology | Images, icons and symbols; attention span of 8 seconds; prefer face-to-face in the workplace |

### Differences based on life stage

- new hire
- moving
- marriage
- mortgage
- children
- college
- general saving
- wellness
- estate planning
- retirement
Entertain to Get Attention and Educate = “Edutainment”

Savings Whiteboard

Online games

“401K-mercial”
Put Information in Their Hands Through Mobile Tools

Texting for just-in-time messaging
Have you updated your 401(k) beneficiary online? Go to www.principal.com. It’s fast and easy!

Web App for easy access to resources when/where employees need it

---

Mark your calendar!
2014 benefits open enrollment is November 4 – 22, 2013.

Stay up-to-date on benefit news and deadlines through your cell phone.
Text the keyword apogee to 313131 to receive bimonthly benefit-related text messages. Standard text messaging rates apply.
Target messaging based on age and plan data

Who: Eligible for catch-up AND saving at least $10,000

Postcard
It Takes More Than Education to Affect Change

Information
- Understand your audience
- Obtain leadership endorsement
- Promote, edutain and engage each individual

Incentives
- Create and support intrinsic and extrinsic motivators
- Offer plans and programs that support the right behaviors

Infrastructure
- Make it easy
- Track activities and progress—individual and aggregate
- Offer tools that support both the DIYers and the “Do it For Me’s”
Provide Tools to “Self Diagnose” Financial Health

**Planning for the Future**

Progress:

- [ ] How much time have you spent planning for your retirement?
- [ ] None
- [ ] Less time than I spend planning for vacations
- [ ] I have done some planning on my own or with my spouse/partner
- [ ] I have worked with a financial planner on a detailed financial plan

**Live Well Financial Health Assessment**

At SafeVest, we believe in “total health”—physical, emotional and financial well-being—and it starts with knowledge and understanding. We want all employees to enjoy the benefits of a healthy lifestyle, including feeling their best so they can be their best. It’s a win-win because when you feel good about your financial health, your energy and passion helps us build customer satisfaction and loyalty.

This assessment is divided into four sections:

1. **Short-Term**
2. **Mid-Term**
3. **Long-Term**
4. **Tools Summary**

It should take you about xx minutes to complete this assessment. Answer each question as honestly as you can — there is no right or wrong answer. Even if you aren’t financially where you want to be right now, we can provide you with tools to help you reach your goals.

**Go back to Section 4**

**View Answer Details**

**Submit and Exit**

---

*March 25, 2015*

---

*Incentives*
Create the Right Motivators

Employees participate in activities

Activities tracked and reported

Employer makes DC Plan contributions

Increased financial literacy

Greater employee savings

Enhanced investment experience

Improved financial confidence

Ability to retire when appropriate

SavIncent™
Create a Path and Let Them Track Their Progress

Total Wellness @ Work is a suite of programs that support your health, wealth and lifestyle. It’s designed to help you make informed health care decisions, become financially fit and participate in activities that enhance your physical and emotional well-being. These programs represent our holistic view of what it means to be well.

Plan your personal wellness journey today and earn 50 points.

Incentives
It Takes More Than Education to Affect Change

Information
- Understand your audience
- Obtain leadership endorsement
- Promote, edutain and engage each individual

Incentives
- Create and support intrinsic and extrinsic motivators
- Offer plans and programs that support the right behaviors

Infrastructure
- Make it easy
- Track activities and progress—individual and aggregate
- Offer tools that support both the DIYers and the “Do it For Me’s”
Take Auto-enroll to the Next Level.
The Personalized Level.

- **Personalized** savings rate and adjustment
- **Drawdown strategy**

Savings InSight™ 2014 Pension & Investments Innovation award winner!
Put Soon-to-be Retirees on the Right Path

RetireeZone™
While difficult to describe in the abstract, engagement appears to be the difference between satisfying people at work and inspiring them to do their best work.¹

¹ CFPB, Financial Literacy Annual Report 3 (July 2014)
Are you considering implementing a financial wellness program?

A. Yes, and we’re working on it now.

B. Yes, it’s on our 1 – 3 year roadmap!

C. I’d like to but I don’t know how to “sell it” to senior leadership.

D. I hadn’t given it any thought until now.
Financial Stress = Time = Declining Productivity

80 Minutes a Day
The average amount of time investors devote to financial worries.

This equals 1 workday each week. Shy of 60 workdays per year.

Total of 475 hours per year. Almost 1 week each month.

Additionally, 10% of investors spend 2 to 3 hours a day worrying about money, totalling up to 1000+ hours.

Think about what employees could do with that time if they weren’t worrying about money.

Source: Legg Mason Global Asset Management
Quantifying what we know…

Employees are not on track for a financially healthy future.

Financial unhealthy workforces create lost productivity through increases in absenteeism and lack of focus on work.

Employers experience increased wage and benefit costs due to employees being unable to retire.

An aging workforce creates talent management challenges.

Financial wellness programs boost employees' perceptions of the value of their employers' total rewards offerings.
... and tracking company-specific results

<table>
<thead>
<tr>
<th>Attitudes</th>
<th>Did we:</th>
<th>Measurement:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓ Increase awareness of our programs</td>
<td>✓ Website page hits</td>
</tr>
<tr>
<td></td>
<td>✓ Enhance benefit satisfaction levels</td>
<td>✓ Survey results</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Did we:</th>
<th>Measurement:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓ Boost plan/program participation</td>
<td>✓ Enrollment rates</td>
</tr>
<tr>
<td></td>
<td>✓ Increase use of tools and information resources</td>
<td>✓ Access rates</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Did we:</th>
<th>Measurement:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓ Improve investment allocations</td>
<td>✓ Plan data</td>
</tr>
<tr>
<td></td>
<td>✓ Increase contributions</td>
<td>✓ Survey results</td>
</tr>
<tr>
<td></td>
<td>✓ Enhance understanding and appreciation</td>
<td>✓ Service center data</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance</th>
<th>Did we:</th>
<th>Measurement:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓ Reduce absenteeism/improve productive</td>
<td>✓ Productivity reports</td>
</tr>
<tr>
<td></td>
<td>✓ Reduce stress</td>
<td>✓ Health &amp; disability claims costs</td>
</tr>
<tr>
<td></td>
<td>✓ Achieve greater rates of retirement readiness</td>
<td>✓ Plan projections</td>
</tr>
</tbody>
</table>

... will enable measurement of the program’s effectiveness and ROI
What’s in it for you?

By expanding your offerings to include financial wellness, you can create a stronger culture of health and enhance their EVP while dealing with issues affecting your bottom line.

Questions?

Lori Block
lori.block@xerox.com | 415.617.3891

Amy Finsand
Amy.finsand@xerox.com | 952.806.6113

Patrick Coughlin
patrick.coughlin@xerox.com | 617.275.8030