



Financial Education as an Employee Benefit

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Fully one quarter of American workers consider themselves extremely stressed financially - with little or no savings and inadequate budgeting or credit management skills. Benefit plans, designed to provide, at a minimum, a financial safety net, are not succeeding and are undervalued as a result.

Financial stress in America is epidemic. According to Newsweek, parents are no longer teaching basic financial skills like personal budgeting or credit management. As a result, 90% of American workers are dissatisfied with their financial situation, 67% admit personal financial troubles and 25% are seriously financially stressed.

Financial distress manifests itself in the work place in several negative ways. It reduces productivity as employees deal with their financial crises at work or are simply preoccupied by them. It increases turnover as employees become less satisfied with their pay and feel compelled to change jobs for the slightest increase. It has been shown to lead to expensive stress related illness and substance abuse. It limits creativity and initiative; key attributes of high performers.

Just as important, it substantially devalues the employee benefit program in two ways. First, the financially stressed are unable to afford, and so don't value, many of the important, contributory benefits, such as income replacement or retirement. Second, to the financially stressed no benefit level is enough; all deductibles, co-payments and payroll deductions are perceived as too high.

Financial education as an employee benefit can help. It is offered by 28% of employers (44% of employers with over 5,000 employees). It usually consists of a series of educational and promotional communication pieces, on line modelers and calculators and seminars leading to one on one planning sessions. For some, it may be basic financial triage consisting of debt consolidation, budgeting, or checking account education or electronic alternatives. For others, it may be very specialized investment advice. It is a relatively inexpensive benefit and much of these costs may be offset by reduced administrative costs associated with letters from creditors, wage garnishments, and bankruptcies. It is also a market differentiator in a tight labor market.

A financial approach to benefits asks employees to look at healthcare as just one part one's personal financial plan that addresses and prioritizes not just healthcare, but income in the event of disability, retirement, or death. Can employees really afford the richest healthcare and dental plans if it means skipping on life insurance or retirement savings? What good is the healthcare plan which pays most of your hospital bill if one doesn't have enough disability income during recovery?



Employees need to learn how to make important financial decisions in addition to which healthcare plan they choose.

- How much healthcare coverage do they need? How much can they afford?
- Should they buy a dental plan, or fund a spending account? If they don't currently fund a spending account, why not?
- Should they be saving for a rainy day, a down payment, education for the kids, or retirement? Or should they be paying down their debt?

Financial education clearly enhances promotion of, participation in, and perceived value of life, disability, and retirement benefits as these are critical components of even the most basic financial plan. Studies show it can be as effective as a match in increasing 401K participation. Most important, according to Virginia Tech's Thomas Garmin (executive director of the National Institute for Personal Finance Employee Education) "A company's best workers are typically those in control of their personal finances. Control in that aspect of their lives usually translates into increased employee productivity".

Keep in mind, any definition of "consumerism" includes putting more responsibility on the patient to make better healthcare decisions regarding prevention, cost and quality. It also requires at least minimal budgeting and account management skills. For those reasons alone, health and financial skills are prerequisites for successful consumer driven results.

Just as important, by providing effective patient advocacy tools and financial education, employers can reduce healthcare costs, increase employee benefit plan appreciation and participation, as well as employee engagement and productivity. All accomplished from a commitment to help employees take better care of themselves both physically and financially. What a great message (See [Strategic Benefits Planning](#)).