

# Financial Wellness: What Execs Need to Know

**F**inancial wellness is a phrase that's steadily gaining traction in the employee-benefits world, yet somehow it also remains a mystery to some employers. One way to think about financial wellness is that it's another branch of whole-person wellness because it aims to "treat" more than one aspect of a person. In this case, it goes beyond increasing participation in a 401(k) plan by providing more tools, resources and personal support for employees to take control of their financial health. Unfortunately, given the relative newness of the benefit and the accompanying ambiguity, there are some misconceptions surrounding workplace-financial wellness, which is one of the reasons employers are hesitant to implement it.

According to research from Charles Schwab<sup>1</sup>, the most common reasons employers overlook financial wellness is because they don't fully understand the benefit, think it overlaps programs that are already in place and/or it's outside of an employer's territory—meaning it goes beyond what employers *think* they're obliged to provide to their workforce.

Other employer concerns beyond the definition confusion are questions about implementation and costs associated with it. Of note, employees seem to share in the financial-wellness muddle. The *2018 Schwab Modern Wealth Index* report<sup>2</sup> reveals that nearly half of employees surveyed think they don't earn enough money to start a financial plan—a key pillar in financial wellness—which simply isn't true.

Getting employers (and employees) to understand financial wellness can be a key differentiator for organizations looking to improve employee productivity, loyalty and overall engagement, both within retirement plans and the company.

### Bridging the Knowledge Gap

In Charles Schwab's *Workplace Financial Wellness: Insights on Definition, Design, and What's Driving Decisions* white paper<sup>1</sup>, executives were asked to define financial wellness. The open-ended responses were then grouped into the following three categories: state of mind/freedom from worry (qualitative outcomes), financial preparedness (quantitative outcomes) and financial-planning tools and behaviors (process/engagement). These are broad concepts, which may help explain why only 38 percent of employers surveyed offer financial-wellness programs. Among the remaining respondents who don't offer a financial-wellness program, nearly 40 percent said the benefits don't outweigh the costs, and



another 20 percent said they don't understand the benefits.

Nathan Voris, managing director of business strategy at Schwab Retirement Plan Services, says the first step to understanding financial wellness is to stop seeing it as a product or basic set of resources.

"[Financial wellness is] more about greater ownership of one's financial future and wellbeing. Associated with that greater ownership are some specific engagement steps that may help each individual employee get to the best outcome for them," says Voris. "These engagement steps should be thought of as additive, not duplicative of existing benefits and compensation programs."

Holistic financial-wellness support should be designed to give control back to employees by providing them with a breadth of tools, resources and financial experts to make the best-informed decisions about managing their money. This could be as simple as starting a 401(k) to more complex actions like consolidating debt or investing in stocks. Programs should be built to work in tandem with other workplace benefits, such as retirement plans or health-savings accounts, and offer users high-tech capabilities with a human touch. The right financial-wellness approach will allow employees to analyze their financial situations, set or evaluate goals, and create or revise their financial plans.

Voris says the biggest differentiator between a total financial-wellness experience and other financial benefits is that the former offers much more than education.

"A financial-wellness program also has to identify next steps and provide tools and

guidance people need to take immediate action—to actually get things done," he says.

### Why Financial Wellness Matters

Employees are increasingly seeking help to manage their finances and, according to the *Schwab Retirement Plan Services 2018 401(k) Participant Study*<sup>3</sup>, would even pay a reasonable fee if financial advice was available to them at work. Nearly one in four respondents said they want help managing their debt and, when it comes to retirement, respondents reported that they need help calculating how much money they'll need for retirement (43 percent), exploring how to invest their 401(k) money (39 percent), figuring out when they can retire (39 percent) and predicting their expenses during retirement (36 percent).

Employers looking to attract, retain and engage their workforce are doing themselves a disservice by dismissing financial wellness as part of the solution. In a tight labor market, offering financial-wellness support at work could be the key to getting—and staying—ahead of the competition.

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#### Sources:

<sup>1</sup> *The Charles Schwab Corporation Employer Financial Wellness Survey, 2016* (<http://corporateservices.schwab.com/public/file/P-10419818>)

<sup>2</sup> *Schwab Retirement Plan Service, Inc. 401(k) Participant Survey, 2018* (<https://www.aboutschwab.com/schwab-401k-participant-survey-2018>)

<sup>3</sup> *Schwab Modern Wealth Index, 2018* (<https://www.aboutschwab.com/modern-wealth-index-2018>)