
A Business Owner's Guide to Employee Financial Wellness

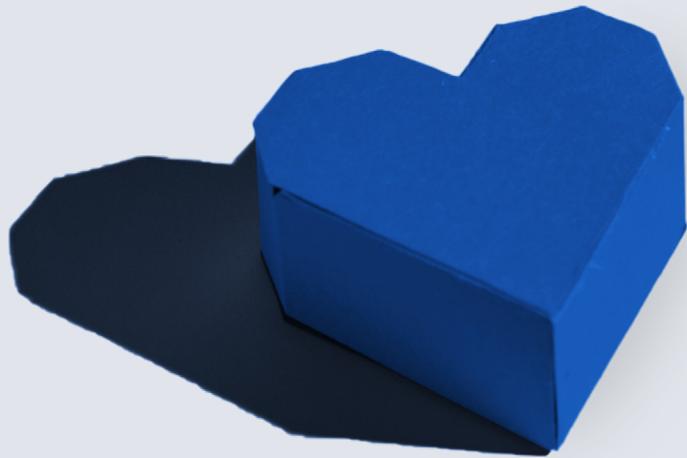


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A holistic look at financial wellness

Your people are the lifeblood of your company, and every employee is integral—especially in a small business.

So if staff members are stressed about their finances, it can have a negative impact on their work performance and on your company as a whole. However, you have the power to help improve your employees' financial well-being.

Leslie Charm, a Senior Lecturer at Babson College and a professional director who advises companies in transition, says, "To me, life is all about having as many choices as you want. Simply put, financial wellness leads to less stress and more choices."

The [Consumer Financial Protection Bureau](#) defines financial well-being as:

- Having control over day-to-day, month-to-month finances
- Having the capacity to absorb a financial shock
- Being on track to meet your financial goals
- Having the financial freedom to make the choices that allow you to enjoy life

Financial stress is more prevalent than you may think

If you pay your employees fairly, they shouldn't feel financially stressed, right?

Unfortunately, that's not always the case. In fact, according to research from [Willis Towers Watson](#), nearly two in five employees live paycheck to paycheck. And it's not only those at lower income levels who are affected; even highly paid employees struggle financially.



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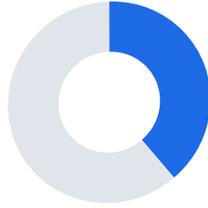
Notably, the survey of employees found that:



64% believe their generation is likely to be much worse off in retirement than that of their parents



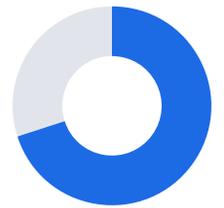
18% making more than \$100,000 per year living paycheck to paycheck



39% could not come up with \$3,000 if an unexpected need arose within the next month



32% have financial problems that negatively affect their lives



70% are saving less for retirement than they think they should

9 in 10

say the pandemic is causing stress on personal finances

📍 The pandemic is amplifying financial stress

The [National Endowment for Financial Education](#)[®] revealed that nearly 9 in 10 Americans say that the pandemic is causing stress on their personal finances. Unexpected medical expenses, increased childcare responsibilities, and spousal job losses are just three of the major challenges that your staff members may be facing. In light of these heightened concerns, financial education is more important than ever.

It's incredibly important that employees feel a sense of security in regard to their finances.

Money worries are negatively impacting your employees and your bottom line.

The fact of the matter is many of your employees are worried about paying off debt, saving for retirement, keeping up with rising health care costs, and even bigger issues like the economy. Lucy Babbage, SVP of People at Betterment says, “Financial stress is a real distraction for employees, and it impacts all facets of their well-being. When employees can’t see past their paycheck, it’s hard for them to focus on their day-to-day work—let alone envision the next stage of their career.”

These financial concerns can negatively impact employee productivity, engagement, and well-being. In fact, according to [Willis Towers Watson](#), 39% of struggling employees said money concerns keep them from doing their best at work, and 49% reported suffering from stress, anxiety, or depression over the last two years.

Employee financial stress can wreak havoc on your business, too. In fact, [Gallup](#) research shows that U.S. businesses are losing a trillion dollars every year due to voluntary turnover. Plus, the cost of re-hiring and re-training is compounded in smaller businesses because the loss of knowledge, subject matter expertise, and skills can be difficult to manage when there isn’t a deep bench of succession.

If your workforce is financially stressed, you may also witness reduced productivity, higher health care costs, more frequent sick days, and other unanticipated side effects. According to Stig Nybo, a Plan Strategist at Strategic Retirement Partners, “Employee financial wellness is vital. Not only is it important to employers from a moral standpoint, it’s also important from an employee productivity standpoint. It’s incredibly important that employees feel a sense of security in regard to their finances.”



- 📍 **The five elements of a life well-lived**
[Gallup](#) found that “a life well-lived” requires fulfillment in five key areas of well-being: career, social, physical, community, and financial. Research shows that employees who thrive in these five areas have higher customer ratings, adapt to change better, and save their company money in healthcare costs and turnover.

Employees are looking to you for help

When employees are stressed about their finances, they often look to their employers for help.

Leveraging the resources you have to help employees

Whether they ask for help directly or just want to vent about a financial problem, employees are seeking concrete information and support. According to the [ADP Research Institute® Evolution of Pay Report](#), employees welcome tools that can help them better manage their finances.

Contrary to popular opinion, you don't need an expensive traditional financial wellness program to help alleviate employee stress. In fact, the answer to improving employee financial wellness may be closer than you think. The first step is examining all of your policies and resources—and how they impact financial wellness. So take a closer look at:

Compensation

While employee compensation isn't always the root of financial stress, in some cases it is. As Babbage puts it, "You want your compensation philosophy to match the investment you expect from your employees. That can encompass a range of things from salary and bonuses to equity and professional development opportunities."

Review your pay ranges and financial incentives—like performance bonuses, promotions, raises, 401(k) matching contributions, and stock options—to ensure you're compensating your people fairly. For a better idea of what competitive compensation looks like, utilize salary benchmarking services or check out websites like [glassdoor.com](#).

Overall benefits

Another way to ease financial stress is by offering better benefits. Charm says, "I have one client who pays 100% of employee health care costs. That's a statement that you care about their financial well-being."

Want to upgrade your benefits to help improve employee financial wellness? Take a peek at this chart for some ideas:

Benefit	Upgrade
Health insurance	Provide medical, dental, and vision, and chip in more money on the premium. Consider offering a "free plan" by covering the total premium for the lowest cost plan you offer to an individual. Dental and vision are also relatively low cost to offer as free benefits.
Life and disability insurance	These benefits are relatively low cost for an employer to provide and give employees peace of mind about their (and their family's) future, should they need this type of support.
Parental leave	Adopt a progressive parental leave policy that offers paid bonding leave for mothers and fathers. Help remove financial stress by offering salary continuance and having your short-term disability providers pay you so your employees can have one less thing to worry about in the first few weeks of becoming parents.
401(k) plan	Work with a provider that offers individual advice and plenty of employee education. Also consider offering plan features that make the plan more attractive or help employees save more for their future (company matching contribution, automatic enrollment at a sufficiently high default rate).
Paid time off (PTO)	Adopt a generous/flexible PTO policy (many start-ups offer unlimited PTO) so that employees don't have to take unpaid time off to manage their lives outside of work. And when employees have to work or travel for work on weekends, compensate them in an equivalent amount of PTO.

Employees are looking to you for help

When it comes to selecting appropriate benefit providers, set the bar high. Ask: What is this vendor doing to make sure employee needs are being addressed? What are they providing from an educational standpoint? How are they making things simple and effective for me and my employees?

401(k) plan

Do you offer a 401(k) plan? If so, your 401(k) provider likely has a variety of educational tools and resources to help employees budget and save for retirement (and beyond). Nybo says, “It’s well-documented that the average person saves in the workplace. Offering a retirement plan is a clear way to show that you’re prioritizing financial wellness and empowering employees to achieve their goals.”

A best-in-class 401(k) offering should come with supporting features that go beyond retirement planning to help employees take control of their finances. Think about how you can really set your employees up for success.

Employee Assistance Program (EAP)

Does your health insurance plan offer an EAP? In addition to helping employees navigate health care issues, EAPs frequently

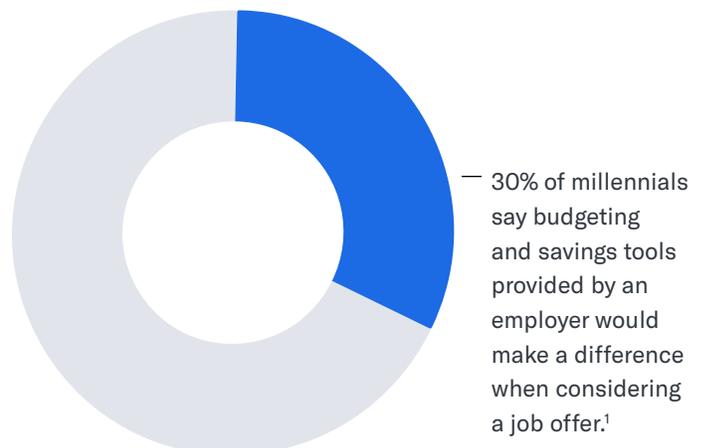
offer advice on budgeting, debt consolidation, retirement planning, and more. In fact, your EAP may be able to connect employees with debt management organizations and state agencies that can offer financial help. If your EAP offers such resources, let your employees know all about them.

In-house experts

Enlist your CFO or a financially savvy manager to share saving tips or lead an information session to answer commonly asked financial questions. Nybo says, “Champions in the workplace can help people with everything from saving more to paying down debt.” However, he does caution that the conversation should stay focused on general guidance versus providing advice or sharing personal information, which can lead to fiduciary or privacy concerns.

You

You can be your team’s biggest advocate for financial wellness. “There are a lot of resources out there from YouTube to Khan Academy that are very accessible and hugely beneficial but they require a bit of a nudge for employees to use them,” says Nybo. “Saying, ‘Hey, this stuff is really important and you should take a look at it,’ can go a long way.”



¹ Source: [ADP Research Institute® Evolution of Pay Report](#)

You know your employees have financial questions, and you want to help guide them to the answers.

To help you do just that, we've compiled some valuable financial information you can share with your staff. Consider:

Discussing it

After reviewing this information, you'll feel more comfortable sharing nuggets of financial wisdom with your employees.

Emailing it

Interested in sending your employees an email about how to overcome a common financial challenge? Just copy and paste the relevant information from the tips below.

Presenting it

Think about hosting an "Overcoming Your Top 10 Financial Challenges" seminar sharing this information.

1. "I spend more than I earn"

Spending beyond your means is a very common financial concern—and one that impacts people of all income levels. A key way to overcome this challenge is to develop a budget which details your income and expenses. You can write it on a piece of paper, use an Excel spreadsheet, or better yet, use a top budgeting app such as [Mint](#) or [Credit Karma](#).

Employer tip: Consider offering your employees a complimentary subscription to a budgeting app or hosting a "Budgeting 101" seminar.

2. "My car payments and/or commuting costs are too high"

As soon as you drive your car off the lot, it begins to depreciate. So it's not surprising that high car payments are a top financial concern. [Investopedia](#) recommends the following three options:

- Option 1: Refinance your car payment to a lower interest rate. On average, you can reduce your interest rate by 2.4%.
- Option 2: Refinance your car payment to extend your term. By lengthening the life of the loan, you can reduce the amount you owe every month.
- Option 3: Lower your car payment by trading down. By selling your current car, you can pay off your current car loan and buy a less expensive vehicle.

Wondering how much car you can afford before you buy it? Use the [Car Affordability Calculator](#) from cars.com before you go to the dealership.

If you own a car, the cost of a car itself is only the beginning. There's also car insurance, gas, and many other related expenses. Consider these ways to cut your costs:

- Telecommute one or two days a week
- Carpool with coworkers who live near you
- Maintain your car so it's running efficiently and cost-effectively
- Shop around for the best deal on car insurance
- Walk, bike, or ride an electric scooter if you live close to your workplace

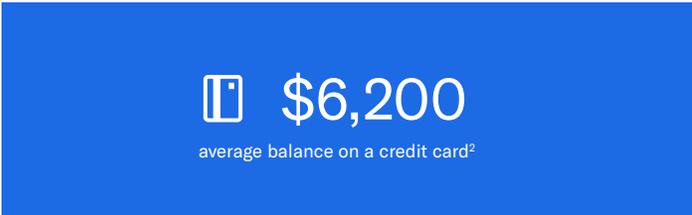
And if public transportation is an option, you have even more opportunity to save:

- Use it a couple of times a week (at least!)
- Buy a monthly or even yearly transit pass (instead of daily passes) to benefit from a reduced rate
- Take advantage of your employer commuter benefits (if available) to receive valuable tax advantages on eligible commuting expenses

Employer tip: If it seems like several employees are in the market for a new car, consider hosting a car-buying seminar to share tips and tricks on how they can get the best deal. You can also look into employee discount programs, which offer lots of savings perks—on everything from cars to movie tickets—often at little to no cost to you. Also consider offering a Transportation Reimbursement Plan (otherwise known as a Commuter Assistance Program) to enable employees to pay for commuting costs on a pre-tax basis.

3. “I’m drowning in credit card debt”

According to the credit bureau [Experian](#), the average balance on a credit card is almost \$6,200. If it feels like you’re not making a dent in your debt, you’re not alone. But there is something you can do about it. Consider talking to a non-profit [credit counselor](#) who can advise you on managing your money, paying down your debts, and budgeting.



\$6,200
average balance on a credit card²

Employer tip: Do the legwork for your employees and select a reputable credit counselor by checking with your state Attorney General and local consumer protection agency. Once you’ve identified a reputable agency, share their contact information with employees who seem interested.

4. “I don’t have an emergency fund”

Whether you pop a tire or have a medical emergency, it’s important to have some money stashed away just in case. But how do you build an emergency fund when you’re juggling other expenses? Consider these tips:

- Clearly define your goal, using a concrete dollar amount and definitive time horizon.
- Estimate how much you will need to save each month to meet your goal, but adjust (including using any windfalls such as tax refunds or bonuses) to reduce how much you need to save.
- Set up automatic deposit to reduce the effort required to stick to your plan.

Employer tip: Your 401(k) plan provider may have tools available to help your employees work toward financial goals like saving for an emergency fund. Just ask!

5. “My rent keeps going up”

Some landlords raise the rent every year like clockwork—and after several years of renting, you may be thinking about buying a home. But is it the right decision for you?

Buying a home is one of the most significant financial investments you can make, so be sure to run the numbers first. Use a [Rent vs. Buy Calculator](#) like this one to get a better idea of whether homeownership or renting is cheaper. While buying a home comes with certain tax advantages, [potential buyers should consider the ongoing costs](#) of home ownership in addition to what they may need to have upfront.

If it seems like a good fit, learn about all the [government programs available to help homebuyers](#).

Employer tip: If you have a staff of renters who are thinking about becoming buyers, consider enlisting a financial advisor or a representative from a local bank to run a first-time homebuyer seminar.

² Source: [Experian](#)

6. "I didn't know a baby would cost this much!"

Oh, baby! Baby-centric expenses like diapers, daycare, health care, and more can really add up. In fact, according to the [USDA](#), the cost to raise a child is \$233,610. So consider these tips:

- Build baby into your family budget. There may be some money you can divert from entertainment, dining out, and other non-essential expenses.
- Buy secondhand. Whether it's maternity clothes or a convertible crib, buying secondhand or borrowing from a friend can save a lot of money.
- Consider medical costs. Call your health insurance company before the birth to get a better idea how much labor and delivery will cost you.
- Think about lost income. Depending upon your company's leave policy, you may need to take weeks or even months without pay, so think about how you'll cover costs during that time.

\$233,610

average cost to raise a child³

Employer tip: Take a hard look at both your health insurance and maternity/paternity leave policies. Can you afford to be more generous with these benefits to help ease employee financial stress? In particular, extending paid maternity and paternity leave can have a dramatic impact on employee retention, satisfaction, and financial wellness.

7. "I have so many medical bills"

Research shows that approximately [137.1 million people](#) reported medical financial hardship in the past year. It can be devastating to face a serious medical condition only to be left with a massive bill to pay. But there are a few things you can do:

- Negotiate. Many providers and hospitals will work with you to lower the bill if you call them to discuss the debt.
- Ask for debt forgiveness. There may be charitable programs available that can help pay for all or part of your debt.
- Set up a payment plan. See if you can work out a low, monthly payment plan that can help you pay your debt over an extended period of time.

The best advice is to be proactive because unpaid medical debt could result in frequent calls from a collections agency, law suits, or even bankruptcy.

Employer tip: If employees are struggling with bankruptcy, divorce proceedings, or other legal matters, consider offering a group legal plan. It's a simple, voluntary benefit, which provides major cost savings to employees—at little to no cost to you.

8. "My student loans are overwhelming me!"

According to the [Federal Reserve Bank of New York](#), the outstanding student loan debt is \$1.48 trillion—and 10% of aggregate student debt was 90+ days delinquent or in default. In particular, student loan debt is a major concern for people aged 18 to 29.

\$1,480,000,000

outstanding student loan debt⁴

10% of aggregate student debt was 90+ days delinquent or in default

³ Source: [USDA](#)

⁴ Source: [Federal Reserve Bank of New York](#)

How to help address employees' top 10 financial concerns

So what can you do about it? [Debt.org](https://debt.org) recommends the following steps:

- Use the grace period. Instead of waiting until the grace period expires and you have to begin repaying the debt, start paying right away so you can pay it down faster.
- Look closely at your loans. By doing your research, you can see if your loans qualify for a deferment, a more beneficial payment plan, or even forgiveness.
- Get a side hustle. If you can't make your payments work on your current job, consider starting a side business or getting a weekend job.
- See about your tax deduction. The IRS lets you claim a tax deduction for student loan interest up to \$2,500. [Learn more.](#)
- Get automatic. If you enroll in an automatic payment plan, some lenders reward you by lowering your interest rate.

Employer tip: Hire a lot of recent college grads or millennials? Consider giving each employee a set amount of money toward

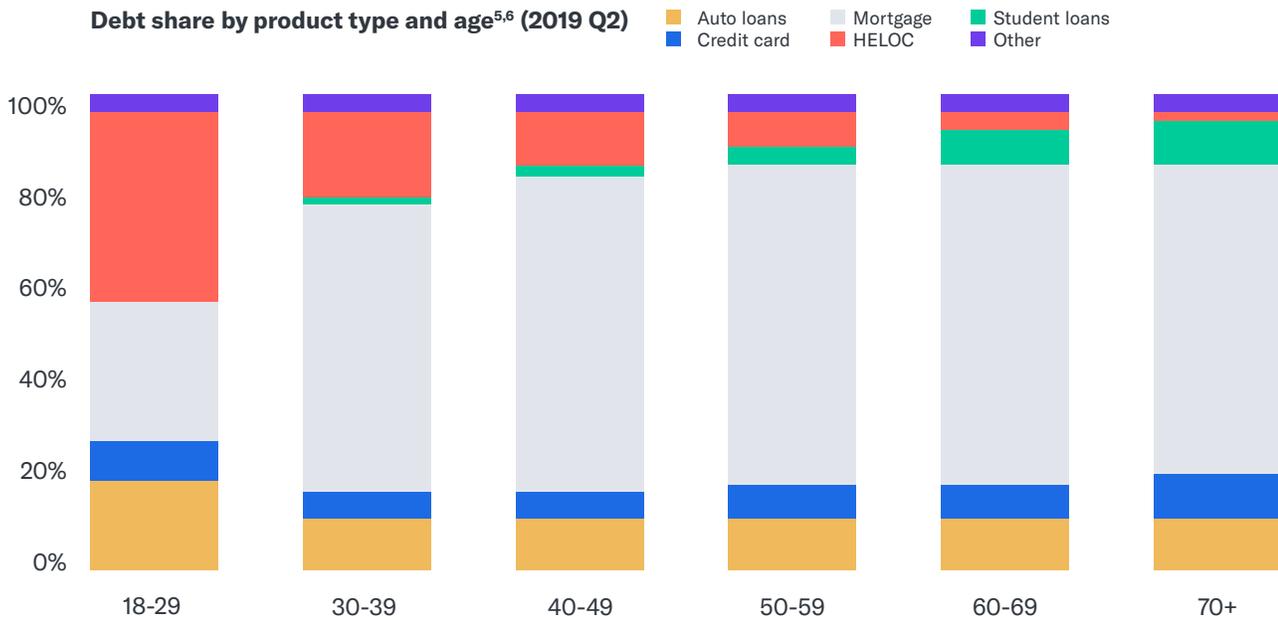
paying down their student debt. Not only will it help improve employee financial wellness, it will also improve recruitment and retention rates. Wondering how other businesses manage this perk? [Check out this article from LendingTree.](#)

9. "I'm not saving enough for retirement"

A [survey from Bankrate](#) revealed that more than half of American workers say they're behind in saving for retirement. But it's never too late to get back on track. Consider these three retirement contribution boosters:

1. Have you been auto-enrolled in your 401(k) plan? If so, great, but don't stop there. Take a careful look at your contribution percentage to determine if it's right for you. Even increasing your contribution rate by 1% or 2% every year can add up over time.
2. Does your company offer matching contributions? If so, make the most of every extra dollar by contributing at least enough to maximize the match.

Debt share by product type and age^{5,6} (2019 Q2)



⁵ Source: New York Fed Consumer Credit Panel/Equifax

⁶ Age is defined as the current year minus the birthyear of the borrower. Age groups are re-defined each year. Balances may not add up to totals due to a small number of individuals with unknown birthyears.

3. Have you recently gotten a raise or unexpected windfall? If you recently received a tax refund or bonus, it's the perfect opportunity to bump up your contribution rate.

Wondering how much you should save to live the retirement you want? Take full advantage of any tools, guidance, and information offered by your employer's 401(k) provider. Don't have a 401(k) plan at work? Consider opening an IRA.

Employer tip: Do you offer your employees a 401(k) plan? It's one of the best ways to help your employees save for retirement—and improve their overall financial wellness. But not all 401(k) providers are the same. Some give employees personalized advice that incorporates outside accounts along with a more holistic financial picture beyond retirement. Be sure employees are aware of the capabilities provided and are taking full advantage of the resources available through their 401(k) provider. If you have a 401(k) plan, look at the details and see if there's room for improvement such as offering automatic enrollment to maximize the number of employees saving for their future (and be sure to use a high enough default rate!).

10. "Financial stuff confuses me"

Bears. Bulls. Bonds. Finances are confusing. But your wallet will thank you if you gain a basic understanding of financial matters. Here are a few quick ways to do just that:

- Read a book. There are many financial books to choose from. Check out this list of [five finance books that can help you get it together](#).
- Take a class. Google "free financial classes" and you'll see many to choose from like this [Personal & Family Financial Planning](#) class from Coursera.
- Listen to a podcast. Listen and learn via a financial podcast like [ChooseFI](#) or [BiggerPockets Money](#).
- Read online articles. Check out [Betterment's extensive article library](#) or subscribe to other financial planning sites to get regular updates on relevant topics.

Employer tip: Most 401(k) plan providers offer tools, articles, calculators, and even consultations with financial professionals—just ask!

Finances are confusing. But your wallet will thank you if you gain a basic understanding of financial matters.

Many financial wellness resources are surprisingly affordable

We've offered you several tips—now let's boil it down by cost. As you'll see, it doesn't have to cost a lot to help employees improve their financial wellness.

At the end of the day, your employees are looking to you for support. With some resources and a nudge in the right direction, you can help them achieve financial wellness (and that's priceless).

Free	Low	Medium	High
Host financial wellness seminars led by your CFO or financially savvy manager	Offer employees a complimentary subscription to a budgeting app like Mint	Conduct a salary benchmarking review to see if you're paying your employees appropriately	Increase salaries and merit-based bonuses
Email financial wellness tips, tricks, and articles to your staff	Offer an employee discount program*	Upgrade health insurance	Give employees 401(k) matching contribution (depending upon your match, it may be more affordable than you think)
Advocate for financial wellness by guiding your employees to available resources (for example, 401(k) plan or group legal plan)	Host a car-buying seminar*	Offer life and disability insurance	Increase your paid time off benefits
Share the name of a reputable credit counselor	Host a first-time home buyer seminar*	Offer 401(k) plan	Extend paid maternity and paternity leave
Encourage employees to use financial wellness tools offered by your 401(k) plan	Offer a group legal plan*	Offer an employee assistance program	Give employees money to help pay down student debt
Encourage employees to use online/in-person financial advice	Have a certified financial planner host a group meeting or individual consultations*	Offer a commuter assistance program	Invest in a formal financial wellness program

*Categorizing under "Low"; however, with a little research, you may be able to get this at no cost to your company.

It takes hard work and commitment to increase the financial wellness of your workforce, but it does pay off.

Benefits include:

- Lower levels of employee financial stress
- Happier employees
- Less employee turnover
- Improved productivity
- Potentially lower healthcare costs
- Better business outcomes

Babbage explains that financial wellness initiatives play a major role in recruitment and retention of talented employees. “We want employees to perform their best, fulfill their potential, and believe in the business’s purpose, and we ask for their trust that they’re being rewarded appropriately for the hard work they’re putting in,” says Babbage. “So whatever businesses can do to help holistically meet employee financial wellness needs will go a long way in retaining and cultivating talent.”

Betterment can help

At Betterment, our mission is simple: to empower people to do what’s best for their money so they can live better. Our retail investing platform was founded as an alternative to the traditional approach where people had to either manage their own investments or pay costly fees for financial advisors and sophisticated investment strategies. We believed investing—and fiduciary advice—should be more accessible and more affordable.

That same philosophy extends to our 401(k) offering. Our easy-to-use platform ensures that employees can get personalized advice on all their financial goals—in one place. In other words, financial wellness is in our DNA. Our integrated approach means employees can plan for their long- and short-term financial goals ranging from retirement to an emergency fund to a new house. Providing a comprehensive view means employees can become more financially healthy so that can focus on what matters most. Want to learn more? Visit us at [401k/bettermentforbusiness.com](https://401k.bettermentforbusiness.com).

Your financial wellness checklist

Ready to help improve your staff's financial wellness? Start checking items off this list!

Financial education

- Host financial wellness seminars led by your CFO or a financially savvy manager
- Share financial wellness tips, tricks, and information with your staff
- Advocate for financial wellness by guiding your employees to available resources (for example, your 401(k) or group legal plan)
- Encourage employees to use financial wellness tools offered by your 401(k) plan provider
- Invest in a formal financial wellness program

Compensation

- Hire a salary benchmarking service to see if you're paying your employees appropriately
- Increase salaries or merit-based bonuses

Benefits

- Upgrade your company's health insurance
- Offer life and disability insurance
- Provide a 401(k) plan
- Add an employee assistance program
- Offer a group legal plan
- Increase your paid time off benefits
- Extend paid maternity and paternity leave

Retirement

- Encourage employees to use online/in-person financial advice through your 401(k) plan (if available)
- Have a certified financial planner host a group meeting or individual consultations
- Give employees 401(k) matching contributions (depending upon your match, it may be more affordable than you think)

Debt reduction

- Share the name of a reputable credit counselor
- Offer employees a complimentary subscription to a budgeting app like Mint
- Provide student loan repayment benefits

Smart spending

- Offer an employee discount program
- Provide a commuter assistance program
- Host a car-buying seminar
- Offer a first-time home buyer seminar

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