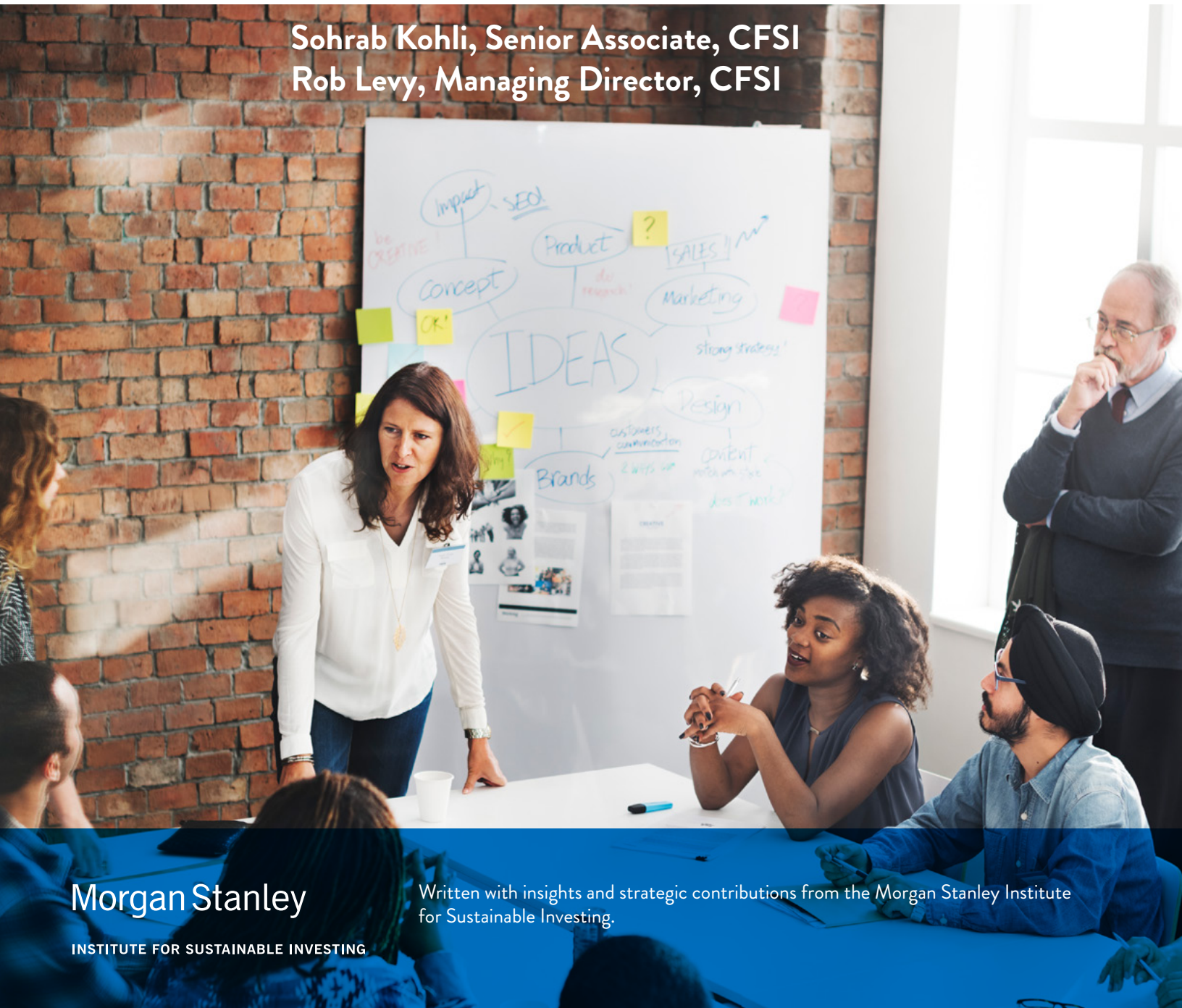


Employee Financial Health: How Companies Can Invest in Workplace Wellness

May 2017

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The Center for Financial Services Innovation (CFSI) is the nation's authority on consumer financial health. CFSI leads a network of financial services innovators committed to building a more robust financial services marketplace with higher quality products and services. Through its Compass Principles and a lineup of proprietary research, insights and events, CFSI informs, advises, and connects members of its network to seed the innovation that will transform the financial services landscape.

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Acknowledgements

This paper benefits from strategic contributions to and financial support from Morgan Stanley. The opinions expressed in this paper are those of CFSI and do not necessarily represent those of our sponsors.

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The authors would like to thank their CFSI colleagues Shannon Austin, Aliza Gutman, Matthew Jago, Tanya Ladha, Theresa Schmall, Rachel Schneider, Jennifer Tescher, John Thompson, Elizabeth Vivirito, and Eva Wolkowitz for their invaluable contributions to the paper.

The authors would also like to thank Joanna Ain (CFED), Wajihah Azher, Kevin Bailey (CommonBond), Erika Camacho (MRP Realty), Amanda Carney (Working Credit), David Carter (CommonBond), Emily Chiappinelli (B Lab), staff from Commonwealth, Meredith Covington (Washington University in St. Louis), Rose DeStefano (B Lab), Frank Dombroski (FlexWage), Quinten Farmer (Even), Doug Farry (Employee Loan Solutions), Daniel Fell (SoFi), Julie Gehrki (Walmart Foundation), Patricia Gould (Morgan Stanley), Jennifer Grisamore (Discover), Kathy Hall (Alliant Credit Union), Lacey Herchek (Morningstar), Bethany Hill (CommonBond), David Hoke (Walmart), Andrea Johnson (TD Bank), Joe Judt (FinFit), Avinash Karnani (Alice), Callie Koeniger (Sunrise Banks), Karen Light (Walmart), Ricki Lowitz (Working Credit), Fran Melmed (Context), Jamie Nabozny (Sunrise Banks), Camilla Nestor (Neighborhood Trust), Steven Nyce (Willis Towers Watson), Jena Palisoul (IDEO.org), Catesby Perrin (SoFi), Steve Rice (EverFi), Aron Szapiro (Morningstar), Laurel Toney (SoFi), Andy Toung (Gusto), Matthew Towson (Discover), Heather Tredup (Aon), Marnie Vaughan (Severn Trent Services), Denise Winston (Money Starts Here), and Justine Zinkin (Neighborhood Trust) for their insights and helpful feedback.

We are grateful for the wisdom and guidance of our sponsors and advisors in this process. However, this paper does not necessarily reflect the views of these individuals and companies. CFSI takes full responsibility for the final product, and all comments, questions, or suggestions should be directed to CFSI.

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Executive Summary

There is a tremendous business opportunity for companies to invest in the financial well-being of their workers.

Roughly 85 percent of Americans are anxious about their financial lives and that anxiety is directly impacting their work. Financial stress contributes to productivity losses, increased absences and healthcare claims, higher turnover, and costs associated with workers who cannot afford to retire on time. Financial struggles are not limited to particular types of work, specific industries, or salary ranges; financial issues impact employees and businesses across the spectrum.

Fortunately, employers are uniquely well-positioned to help employees improve their financial health, that is, effectively manage their day-to-day financial lives in order to weather life’s inevitable ups and downs and pursue meaningful opportunities. **Employers should take a comprehensive approach to financial wellness that not only educates employees but also provides them with access to the types of safe, affordable financial products that better help employees spend, save, borrow, and plan.** Doing so can improve an employers’ bottom line, engender employee loyalty and satisfaction, and serve as a distinguishing benefit when recruiting new talent.

To construct an effective employee financial health strategy employers need to get a sense for how employees engage in fundamental financial behavior. How do employees borrow money and where are they able to access credit? Do they have emergency savings for unexpected expenses? How are they planning and budgeting for the future? With answers to these questions employers can identify the financial areas where employees are uniquely struggling and design programs that offer specific tools and services to help alleviate those stressors and strengthen financial health.

Sometimes employers shy away from efforts to better understand the financial challenges of their employees, believing that such information is too personal to bring into the workplace. However, as with health information, there are ways to anonymize employee data so that an employer does not know personal details but does have a sense for various challenges facing different segments of the workforce. Since employers ultimately pay the price of financial stress that permeates into the workplace, they certainly have a role to play in curbing it.



This paper includes “spotlights” on what we consider the most innovative and effective financial products to address income volatility, unexpected expenses, and other financial health challenges confronting many American workers.

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There are clear steps to implement an effective Employee Financial Health Strategy.

1. Understand the opportunity to improve employee financial health.

To begin, companies should understand what financial health is and its significance in the workplace. This paper serves as a basis for orientation.

2. Align your organization in support of employee financial health.

While Human Resources is a critical component to a successful program – and frequently spearheads these initiatives – it is nonetheless important to garner support from various stakeholders across the organization, including senior leadership.

3. Talk to your employees about their financial needs.

An effective program addresses specific employee needs. To that end it is imperative that employers talk to employees about their financial health through conversation, surveys or focus groups that respect and ensure privacy.

4. Identify and implement appropriate solutions.

Armed with an accurate gauge of employees' financial health challenges, employers can then reach out to benefits brokers, retirement providers, fintech companies, and other service providers to discuss appropriate, high-quality solutions that help employees spend, save, borrow, and plan.

5. Drive engagement.

A successful strategy rollout, and consistent employee engagement over the long-term, requires significant internal support from marketing and communications to ensure that employees understand what solutions are available to them and the benefits of participating.

6. Measure success.

Tracking employee engagement helps employers determine program impact and answer key questions, such as whether the initiative provides employees with the right services and whether employees are remaining engaged over the long-term.

7. Commit to improvement.

Measuring success not only reveals a program's efficacy, it also can highlight and inform opportunities for improvement. As with other benefits programs, an effective financial wellness initiative hinges on consistent evaluation and, where appropriate, refinement and improvement to maximize value both for employees and employers.

Employee financial health solutions create opportunities for employers to strategize for a healthier and more productive workforce while also strategizing for a healthier and more valuable business. We hope that this paper assists you to better understand the benefits of a comprehensive employee financial health strategy that extends beyond financial education. Together we can strengthen the workplace and help employees effectively manage their financial lives.

Foreword from the Morgan Stanley Institute for Sustainable Investing

Dear Reader,

According to the Center for Financial Services Innovation (CFSI), 56% of American workers grapple with financial stress. It's an issue that is not isolated to personal finances alone, but has far reaching impacts on worker productivity, morale, and even physical health. As investors, we believe that when employers address the financial health of their workforce, they also strengthen their business value through enhanced productivity, improved reputation as an employer and increased employee loyalty. Beyond the company walls, we also believe that employee financial health helps drive inclusive economic growth, which we define as economic growth that is sustainable over time and broadly benefits members of society across backgrounds, education- and income-levels.

One of the key pillars of our work at the Morgan Stanley Institute for Sustainable Investing is to deliver insightful thought leadership on inclusive growth topics for investors and businesses alike. For this topic, the Institute funded this work as a strategic partnership with CFSI to develop this thought-provoking piece on employee financial health. In this paper the CFSI lays out a clear framework on financial health and offers a unique perspective given their deep expertise in financial services innovation.

This paper builds on the CFSI's innovative "Spend, Save, Borrow, Plan" framework for financial health by illustrating how employers can play a role within each of these pillars to reduce their employees' financial stress and potentially derive notable business value. Forward-thinking companies who invest resources in these areas can enhance their workplace culture and derive measureable success. This paper also provides a clear set of recommended steps for employers to take in order to enhance employee financial health and benefit from successful implementation.

By providing these insights to business leaders, we hope also to shed light on the value of these approaches for investors who are seeking deeper insights into the quality of the companies in their portfolios. We believe companies that invest in employee financial health by going beyond financial education to actively address how their workforce can borrow, save and spend more effectively are better positioned to reap business value. In our view, the recommended seven-step framework outlined in this paper highlights areas for investors to probe when understanding how well companies are positioned for competitive, long-term growth.

This piece is part of a larger body of work that the Institute is developing around inclusive growth. In the coming months, we aim to release further work on workplace financial health to continue to shed light on the topic for investors.

We hope you find this analysis as compelling as we do, and we invite you to follow our work on inclusive growth at <https://www.morganstanley.com/what-we-do/institute-for-sustainable-investing>.

Sincerely,

Morgan Stanley Institute for Sustainable Investing
May 2017

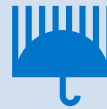
The Business Case for Investing in Employee Financial Health

There is overwhelming evidence that American workers are stressed and that finances are a leading cause of their stress.¹ This is concerning. And from a business perspective, this is consequential. Employee financial stress deserves attention; otherwise, it can eat away at productivity and profitability. Just as more companies are investing in the physical health of their workers, they should also be embracing financial wellness. By investing in employee financial health, companies can increase staff engagement, differentiate themselves from competitors, and ultimately drive business growth.

CFSI defines financial health as coming about when your daily systems help you build resilience and pursue opportunities.



Day to Day
Management



Resilience



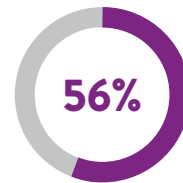
Opportunity

According to our research, 56% of U.S. workers are financially unhealthy. American workers are grappling with challenges like income volatility and financial shocks that are leading to depleted savings and accumulating debt.² Median 401(k) account balances are stagnant and borrowing from 401(k) plans is on the rise.^{3,4} According to another survey, three out of four workers are at least sometimes living paycheck-to-paycheck to make ends meet, and 38% are regularly stuck in this cycle.⁵ Financial health challenges affect workers at all salary levels; 23% of workers making \$50,000 to \$99,999 (annually) are living paycheck-to-paycheck, as are 9% of workers making more than \$100,000.⁶

Employees cite debt, saving for retirement, family expenses (including children's education and support for elderly parents), basic living expenses, and medical expenses as prevalent financial challenges.⁷

As a result of these financial health challenges, 85% of Americans are feeling financial anxiety, and 36% feel like their anxiety has increased over the last three years.⁸ Employees report this financial stress can lead to an inability to focus at work, increased absences, decreased on-the-job morale, and consequences related to physical health.⁹ In what follows, we analyze the critical impact of financial stress more closely.

The Financial State of the U.S. Workforce



of U.S. workers are not healthy



» **Nearly half of the U.S. workforce is financially stressed.**



» **3 of 4 U.S. workers are sometimes living paycheck-to-paycheck to make ends meet**



» **Workers across the income spectrum are challenged**

Employee Financial Stress is Costing Time and Money

Unsurprisingly, the weight of financial stress is not lifted when someone enters the workplace. Nearly one in three employees report that issues with personal finances have been a distraction at work.¹⁰ This distraction could amount to over 20 hours in productivity loss a month for employees with serious credit and money problems.¹¹ Presenteeism – being at work but performing sub-optimally due to illness, stress, financial distress, or engagement in personal business – is something that can easily go unnoticed. However, it carries a heavy cost for employers.¹² Dealing with financial matters on the job alone could cost employers \$7,000 per employee per year.^{13, 14}

Not only does financial stress lead to higher levels of presenteeism, but it can also perpetuate absenteeism. One worker study found that employees with high financial stress were twice as likely to use sick time when not ill. Beyond being disengaged, distracted, or unproductive because of financial issues, there is also a connection to illness. One survey found that employees with high financial stress are twice as likely to report poor health overall and are more than four times as likely to suffer from fatigue, headache, depression, or other ailments.¹⁵ Other research shows that high financial stress is also associated with increased risk of ulcers, migraines, heart attacks, sleep disturbances, and diabetes.¹⁶ The connection between financial health and physical and mental health is evident. Among the 85% of Americans feeling financial anxiety, 67% say it is negatively impacting their health.¹⁷ Persistent financial struggles constrain an individual's resources and can impede cognitive function, both of which impair decisions, and can perpetuate unfavorable financial and physical health situations.^{18, 19}

Benefits of Improving Employee Financial Health



In addition to driving absenteeism and lost productivity, health challenges contribute to insurance claims, which can ultimately raise group insurance costs for an employer.

There is also a critical connection between financial stress and turnover. Workers experiencing higher levels of financial stress have lower levels of job satisfaction, which has a negative effect on retention.²⁰ Employee replacement costs can be as high as 200% of an employee's annual salary when considering total impact, including production losses, the hiring process, and training.²¹ In addition to these substantial costs, turnover can have rippling negative effects on an organization's culture and workplace climate.

The High Cost of Financial Stress at Work



One in three employees reports that issues with personal finances have been a distraction at work

2x

Workers with high financial stress are 2x as likely to use sick time when not ill

Why Investing in Employee Financial Health is Good for Business

By committing to employee financial health, there is tremendous opportunity for employers to promote staff engagement, improve productivity, and reduce long-term healthcare costs, among other significant benefits. For instance, having employees that are financially healthier and better positioned to save more in 401(k) accounts, flexible spending accounts, and health savings accounts is an important tax advantage for employers. With one-third of American workers having nothing saved for retirement, there is a risk that more Americans will have to delay retirement. This can be costly for employers because of prolonged wages and higher health care premiums, both of which tend to be higher for more tenured workers.

Addressing employee financial health is also a strategy that strengthens an organization's employee value proposition. A survey showed that at least three out of four employees feel that financial wellness should be part of an overall wellness program.²² By helping workers manage their complex financial lives, employers can positively impact loyalty, improve their brand position, and generate positive publicity, all of which are competitive advantages. Importantly, employers should seek out high-quality partners while being mindful of the potential risks associated with vendor selection.

Understanding the Financial Struggles of American Workers

A majority of Americans, including a majority of the U.S. workforce, are financially unhealthy; they struggle to save money for emergencies, build strong retirement assets, or access affordable credit. A common misconception is that financial health is synonymous with income level. And while there is certainly a correlation between income and overall financial well-being, it is not the only determinant. Income alone does not say anything about regularity of pay, debt burden, or planning and savings habits, which are all important factors that influence one's financial health.

A key symptom of poor financial health can be limited liquidity. Individuals with constrained cash flows often do not have much room for error in financial decision-making. Ultimately, without appropriate resources to effectively manage a complex or tumultuous financial situation, individuals can enter a cycle of limited opportunities where it's hard to build savings, assets, and good credit.²³ Of the three out of five U.S. households that experience at least one significant financial shock a year, nearly half do not recover for at least six months.²⁴ These shocks can be debilitating and can affect daily needs like food, rent, and healthcare, revealing how a single unplanned event can damage households in unexpected and ongoing ways.

Income volatility is another pervasive challenge that can weaken an individual's financial resilience and can lead to burdensome debt. Nearly one-third of Americans encounter variation in their income month-to-month – pay can fluctuate, and pay periods may not always be consistent or regular.²⁵ This is not an issue exclusive to part-time, self-employed, or seasonal workers. Over half of the Americans experiencing uncertain or volatile income are employed full-time.²⁶ Income volatility is sensitive to business cycles and certain industries are inherently more sporadic, including agriculture, wholesale, and retail trade. Volatility can also be a result of irregular scheduling, changes in hours, variable bonuses or commissions, or involuntary job loss. Payments from public benefits, credits, and other transfer payments can also be volatile.^{27, 28}

Financial Health is Not Determined by Income Alone

According to CFSI's 2014 "Consumer Financial Health Study," people across the income spectrum can struggle financially.

- » Over one-third of those who are considered to be financially struggling make more than \$60,000 a year
- » 13% of those who are struggling make more than \$100,000 per year
- » Conversely, just over one-third of people considered "financially healthy" make less than \$60,000 per year

For more, go to <http://cfsinnovation.org/research/financial-health/>.

Income and expense volatility can contribute to savings challenges. In 2015, 32% of Americans did not save any of their income.²⁹ **As of 2014, only 41% of Americans had a planned savings habit.**³⁰

Forty-seven percent of Americans lack confidence in meeting short-term savings goals, while 54% lack confidence in meeting long-term goals for financial security.³¹ In terms of short-term savings, 46% of Americans could not afford an unexpected \$400 expense unless they borrowed money or sold assets.³² Without sufficient liquid savings, it becomes difficult to cope with financial shocks, such as a car repair or unexpected drop in income, without feeling the burden of expenses and potentially taking on challenging debt. With regard to longer-term goals, saving is critical to achieve financial security and take advantage of future opportunities; however, many Americans are unprepared and do not have adequate savings for retirement.

Insurance is an important shield that protects individuals from significant financial risks. Having appropriate insurance allows individuals resiliency in the face of unexpected events and expenses, such as a medical emergency or the death of a loved one. Of note, insurance ownership rates are lowest for disability and life insurance (33% and 60%, respectively), areas where claims are tied to particularly serious life events.³³ With regard to health insurance, 31 million Americans were underinsured in 2014.³⁴ A lack of sufficient health insurance could be financially consequential and could also negatively influence health outcomes.

Connected to a lack of savings and insurance, many Americans are also buried in personal debt. U.S. households with credit card debt owe on average \$16,061. Households with student loan debt owe on average \$49,042.³⁵ Significant amounts of debt can be hard to manage and detrimental to one's credit score. Individuals with damaged credit, as well as the one in five consumers with no credit history or score,³⁶ frequently turn to high-cost, low-quality credit products like payday or pawn loans. These consumers are often shut out of opportunities for better lending options, housing, and sometimes even employment, all of which can be detrimental to their long-term well-being.

Integrating Employee Financial Health

Financial wellness in the workplace has been gaining in popularity over the last decade and is on the verge of a tipping point in recent years. Fifty-eight percent of employers are already offering employees some help with at least one component of financial wellness. By the end of the year, the percentage is expected to rise to 84%. Additionally, 59% of employers indicated they are very likely to focus on the financial well-being of their employees in ways that extend beyond retirement decisions by the end of the year. Three years ago, this percentage was just 30%.³⁷

“It’s not just what people know, but what they do. Financial education doesn’t focus enough on the latter.”

Going Beyond Financial Education

Increased interest in financial wellness and well-being by employers represents an important step forward. Often however, the term “financial wellness” simply refers to financial education, which primarily focuses on the development and delivery of information about financial products, management, and decision-making. This information is typically delivered through seminars, a series of classes, or self-study materials (which can be available in physical form or through a digital channel).

Unfortunately, information alone does not necessarily bridge the gap for individuals who are struggling to get by. Financial education efforts, which only focus on knowledge gains, need to be coupled with products and services that encourage behavior change and can improve consumer financial health outcomes. It’s not just what someone knows that determines outcomes but also what they do and how ready they are to face a financial obstacle or opportunity.³⁸



Financial health is an important framework to consider because it is measurable and focused on impact. Investing in employee financial health means comprehensively serving the financial health needs of workers – across spending, saving, borrowing, and planning – through benefits, wellness programs, compensation, and other policies that employers can offer.

“Investing in employee financial health means starting with the employee’s habits and needs and building policies and services that improve their financial outcomes.”

An Employee-Centric Framework: Spend, Save, Borrow, Plan

Spend, save, borrow, and plan are four components of financial health that mirror an individual’s daily financial activities. Employers can affect each of these components. We also present Spotlights, which are illustrative examples of innovation. Spotlights do not constitute an endorsement of a particular product, provider, program, or employer. Moreover, we are not suggesting that an employer should offer all of these solutions together. In the section immediately following this, we lay out steps for how an employer can assess the specific needs of its employee base and identify the appropriate solutions to meet those needs.

Spend: Helping employees manage their money, get paid, and pay bills

There are a range of employee-focused solutions that help workers budget, pay bills, and prepare taxes. Employers can also help employees minimize spending on certain expenditures, such as transportation, childcare, or education assistance, through tax-incentivized fringe benefits. These programs directly help workers, and savings on payroll taxes can be significant for employers. Included are Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs). As more than three out of four employees are experiencing increasing healthcare costs, HSAs and FSAs help employees build tax-advantaged savings to manage short and long-term health expenses.³⁹

Spotlight

[Alice](#) is an app that simplifies pre-tax spending on mass-transit, ridesharing, parking, and dependent care. There is no paperwork, and no special cards needed. Alice simply links to a user's debit or credit card, and they can unlock savings from there.

Direct Deposit & Payroll Cards

There is significant opportunity for more employers to offer more secure and convenient payment methods. Only a quarter of low-income workers receive their wages via direct deposit.⁴⁰ Direct deposit enables workers to avoid losing up to 3% of their wages to check-cashing fees,⁴¹ allows for faster access to funds, and provides a mechanism to boost savings. Employers that offer direct deposit may also have an opportunity to help new staff open checking or savings accounts for the first time. Aside from direct deposit to a checking or savings account, employers can also electronically direct wages to a [payroll card](#) (a reloadable prepaid card). Payroll cards are particularly advantageous for workers that do not have many electronic payment options. Employees can use payroll cards to make purchases in stores or online, pay bills, or withdraw funds from ATMs. Furthermore, some payroll cards have additional features, such as savings accounts and personal financial management tools, that allow employees to track and manage spending.

Spotlight

[US Bank](#) offers [Focus Card](#), a payroll program that gives employees a convenient way to receive their paychecks. Focus Cards have a cash back rewards program, a savings account feature, mobile banking app and numerous other features.

Save: Helping employees save money for the short- and long-term

There is a variety of workplace savings solutions, including short-term and emergency savings, retirement savings, and innovations in income smoothing.

Short-Term and Emergency Savings

When nearly half of the country does not have \$400 to spare, there is a significant need for emergency savings and other short-term savings strategies. As discussed, employees need to be able to cover financial shocks, such as home repairs, car accidents, and medical issues, or else these emergencies interfere with work. One strategy for preparing for these unexpected expenses is [Direct Deposit via ACH and Split Deposit](#), which allows American workers to automatically direct a fixed percentage or amount of pay into a savings or investment account. Only 24% of American workers with direct deposit are using this free tool to help increase savings.⁴² Overall, direct deposit itself should be more widely implemented; 18% of American workers are not paid by direct deposit. Another strategy for increasing short-term savings deposits is to offer incentives tied to specific savings goals, such as making consistent deposits over a set period of time.

Spotlight

[DoubleNet Pay](#) is an automated solution that tracks employee bills, seamlessly schedules payments around their paycheck cycle, and directs earnings towards savings goals in a secured FDIC-insured account. Essentially DoubleNet Pay gives employees a clearer view of the earnings they have remaining after meeting priority financial obligations, which includes building emergency savings.

Spotlight

Upon confidentially surveying its employees, [Pitt Ohio](#), a full-service transportation and logistics provider based in Pittsburgh, discovered that a high percentage of its workers did not have emergency savings, more than half paid regular interest on credit cards, and at least one-third are worried about their financial situations. Pitt Ohio also found that financial worry led to more distractions – worried workers were 50% more likely to have a preventable accident. To address the survey results, Pitt Ohio implemented a financial efficacy program, including an emergency savings account for employees. Employees can voluntarily make weekly payroll deductions that are automatically deposited into a personal account with a local credit union. The employer will contribute to the fund if employees make payroll deposits for six consecutive months without any withdrawals. Pitt Ohio employees have access to free and confidential advice through [GreenPath](#) (read more about [GreenPath](#) on page 28).⁴³

Retirement Savings

Employers are well-positioned to help employees build savings habits with their earnings. One of the most common methods is through retirement plans like the 401(k); however, only 47% of private businesses offer retirement benefits to their workers, whether defined benefit pensions or defined contribution retirement plans. More employers should consider benefits that assist employees in building retirement savings while simultaneously providing employers tax deductions associated with matching contributions. For employers already offering retirement benefits, it's important to continually drive employee participation.

Spotlight

myRA is a starter Roth IRA savings account developed by the United States Department of the Treasury for people without access to a retirement savings plan at work. myRA accounts cost nothing to open, have no fees, and don't require a minimum savings amount. Like with other Roth IRAs, there is no tax break for contributions, but earnings and withdrawals are tax-free. myRA has many free resources that employers can share with their employees. To help employees automatically fund their myRA accounts, employers simply set up a payroll deduction using a direct deposit authorization form.

Compensation & Work Policies

The most direct source of impact an employer has on employee financial health is the paycheck. While income is not completely correlated with financial health – one can be financially unhealthy at high income levels and vice versa – increasing income does make it easier for an employee to manage expenses, pay bills, and save for a rainy day. Additionally, policies regarding paid time off, shift flexibility, family leave, and other work-life balance issues can have a huge impact on an employee's ability to handle the shocks and volatility of life.

However, while compensation and workplace policies are critically important to employee financial health, we are unable to address the full range of issues that make up a quality job in this paper, and we are primarily focused on employee financial health as an employer benefit. For more information on the full scope of issues that constitute a quality job, we encourage you to check out organizations like [CLASP](#), the [Aspen Institute](#), and the [National Partnership for Women & Families](#).

Income Smoothing

Innovation in consumer financial technology is driving toward more comprehensive, multi-dimensional solutions for complex financial situations. There are emerging solutions in the marketplace that are addressing income volatility through savings-based approaches. These solutions are particularly relevant for employees working in industries in which volatile pay is prevalent, like food services and retail. Solutions that smooth income can mitigate a common challenge that draws consumers to high-cost credit products.⁴⁴

Spotlight

With Pay Protection by [Even](#), workers can experience more consistent earnings. Even calculates a user's average pay; when users make more than their average, the app automatically calculates how much they can save, and directs those funds to a virtual savings account. When users make less than their average, Pay Protection automatically deposits extra money into their account.

Borrow: Helping employees manage debt and access money when it's short

Under the broad umbrella of workplace borrowing, there are a variety of solutions, including pay advances and loans. There are also solutions to help workers that are trying to manage their debt.

Pay Advances

Some employers, typically smaller ones, offer in-house pay advances, of either earned (accrued) or unearned (future) wages. Typically under these circumstances, employers are acting as lenders and bear more responsibility in terms of compliance risks and tax consequences. For earned advances, there are a handful of third-party providers offering interest-free solutions that break up rigid pay cycles.

Spotlight

[WageGoal](#) is a tool developed in partnership between [FlexWage](#) and [Neighborhood Trust Financial Partners](#) that encompasses planning, budgeting, and cash flow management. The app forecasts an employee's financial picture, allowing them to better track their cash flow and avoid payday loans and overdraft fees. For a small fee, employees can access their accrued, earned wages in advance of payday.

 **Spotlight**

With [PayActiv](#), employees can access up to \$500 per pay period for a small fee. PayActiv also allows employees to pay bills, make bank transfers, and use a budgeting and savings tool.

 **Spotlight**

Another example of on-demand pay is [Express Pay](#) by [Lyft](#), which allows Lyft drivers to cash out \$50 or more in earnings before their weekly deposit. Drivers must use a debit card issued in the United States, and they are required to pay a small transfer fee whenever they collect Express Pay earnings.

Within months of Express Pay's launch, [Uber](#), Lyft's main competitor, introduced Instant Pay, an on-demand pay solution. [Instant Pay](#) allows Uber drivers to access earnings of any amount up to five times a day to a debit card. Uber charges a small fee per cash out to a personal debit card and does not charge any cash out fees to Uber Debit Cards (provided by bank partner GoBank). Uber has also partnered with [Activehours](#) to offer its drivers another option for on-demand pay.

This is a great example of how financial health is very relevant for talent acquisition and can drive competition. While Lyft and Uber are not traditional employers, this solution is a relevant workplace innovation.

Retirement Plan Loans

Retirement plan loans are another borrowing option for employees. Some retirement plans allow employees to borrow up to 50% of their account balance (up to a maximum of \$50,000). Plans must charge reasonable interest rates, repayment must be made in level amounts, and loan terms typically cannot exceed five years. For consumers, these loans can be convenient but also risky because they are not portable. If an employee leaves their job, voluntarily or involuntarily, typically they must repay the loan in full within 30 or 60 days. According to the Small Business Administration, failure to repay the loan in full “results in having the outstanding balance treated as a taxable distribution; if the employee is under age 59-1/2, the distribution is taxable and subject to a 10% penalty.”

Though employers are not considered lenders when retirement loans are issued, with more employees taking out 401(k) loans, employers face greater risks and liability. In the case of defaults on 401(k) loans, there are significant legal and tax implications.⁴⁵ Employers and employees alike should better understand these products. They can serve an important need, especially for long-term employees, but employees and employers should be aware of their consequences. We encourage employers to work with their plan advisors to educate their employees on how loans impact their 401(k) account balances.

Third-Party Loan Programs

From a risk perspective, employers might be best positioned to work with a third-party that can facilitate an employee loan program. Because these loans are tied to payroll, the lender has a strong understanding of a borrower's ability to repay, which makes these dramatically more affordable alternatives to costly payday loans. These programs could have a significant impact on employee financial health as they fill a critical credit need and provide opportunities to build credit history.

Spotlight

Employee Loan Solutions Inc has partnered with [Sunrise Banks](#) on [TrueConnect](#), a patented voluntary employee benefit program that offers employees access to one-year installment loans from \$1,000 to \$3,000. Free credit counseling is also available to all TrueConnect borrowers through a partnership with [LSS Financial Choice](#).

Spotlight

[FinFit](#) is a financial wellness benefit platform that provides employees with resources like training modules, planning tools, and a personalized financial dashboard, while also offering a third-party loan option.

Debt Management & Credit Building Strategies

According to an employee survey, sixty-eight percent of workers are in debt.⁴⁶ In response, debt management strategies are becoming more prevalent in the workplace. Common strategies include debt consolidation, counseling, and refinancing support. Addressing credit building needs can also have a significant impact for both workers with damaged credit and those with limited credit history. Making such resources available can improve an individual's access to credit and strengthen their overall financial health.

Spotlight

[GreenPath](#) offers a comprehensive employee financial wellness service, which includes turnkey debt management solution for employees. For employees that are eligible, the debt management program includes setting up a repayment plan with creditors, which may stop collection calls, reduce interest rates, and eliminate fees. Other GreenPath programs include confidential, one-on-one financial counseling, financial webinar workshops, online financial education, and other resources which can be customized to meet the employer's unique needs.

 **Spotlight**

[Working Credit](#) is a nonprofit organization offering an 18-month financial wellness employee benefit with a credit building focus. Employees learn about the credit scoring system, get one-on-one credit building assistance, and can open a credit builder loan with an integrated savings component. Among employees served for 18 months, Working Credit sees a 52% increase in the number with prime FICO scores, a 34% increase in the number with at least \$1,000 available on one or more credit cards, and a 28% jump in the number enrolled in an automated savings vehicle.

Student Loan Debt Management Strategies

A study of 22-to 33-year old workers showed that rising student loan debt affects focus at work, impacts well-being and retirement planning, and delays the pursuit of further higher education. A majority of young workers indicate that paying off student loans is a bigger priority than contributing to a retirement plan. And nearly 90% of young employees indicated that they would commit to a job for five years in return for help with their student loans. There is a growing opportunity for employers to address their employees' student loan needs – whether through direct contributions to loan payments, debt consolidation, or other tools – especially as more young professionals are closely considering such benefits when making career decisions.⁴⁷

 **Spotlight**

CommonBond's enterprise product, [CommonBond for Business](#), is a software-as-a-service benefits platform that empowers employers to help their employees better manage and pay down their student loans. CommonBond offers employers a full suite of student loan solutions, including an interactive student loan evaluation tool, student loan refinancing, and an employer contribution program.

 **Spotlight**

[SoFi at Work](#) offers employee student loan refinancing and a 401(k)-like employee contribution program, as well as community benefits like career strategy services and local member events.

 **Spotlight**

Associates and Senior Associates at [PwC](#) qualify for a program that pays \$1,200 a year toward student loans. This program may reduce an employee's student loan principal and interest obligation by as much as \$10,000, and shorten their loan payoff period by up to three years.

Plan: Helping employees plan their financial future and prepare for financial shocks

Insurance and retirement planning are two planning areas where employers are already quite active, however, we encourage even more employers to offer these benefits and to add resources that help employees choose their benefits and plan more strategically. Fifty-seven percent of private businesses offer healthcare benefits to their workers.

Financial coaching and personal financial management are two areas in which employees need more resources. Programs and products are often designed assuming stable and increasing income and infrequent emergencies. However, as we've explained, many individuals have complex and sometimes volatile financial lives. Employees need solutions that meet their unique needs and help them balance long-term commitments and short-term obligations. Our research⁴⁸ has shown us that the most effective financial interventions are:

- » **Relevant** – addressing participants' specific concerns and financial situations, ideally in a relevant context, to capture their attention and motivate them to change.
- » **Timely** – coinciding with key life events or moments of decision that can provide immediate feedback.
- » **Actionable** – enabling consumers to put newly gained knowledge into action right away in ways that can improve a financial situation.
- » **Ongoing** – developing long-term relationships to provide support, instill a sense of accountability, and track progress.

Spotlight

[Retiremap](#) is a personalized financial coaching solution designed by Duke University's [Common Cents Lab](#) and the renowned behavioral economist Dan Ariely. Retiremap users receive automated, just-in-time advice based on a personalized plan via SMS, email, or in-app messages. Other financial coaching solutions include [Financial Finesse](#) and [Ayco](#).

Spotlight

[HelloWallet](#) is an innovative personal financial management platform that gives employees a comprehensive view of their finances – recent transactions, an overview of accounts and investments, a personalized monthly budget and monthly plan, targeted financial guidance, and trends analyses. The platform also features timely messages and reminders. HelloWallet also shares a wellness score that provides a thorough snapshot of a user's financial life. The wellness score and targeted financial guidance cover critical topics including savings and debt, retirement, health savings, and spending. HelloWallet is completely personalized to a user's financial situation, goals, and employer's benefits.

A Seven-Step Approach to Employee Financial Health Strategies

Organizations should be investing in the financial health of their employees to boost morale and engagement, increase productivity, improve benefits utilization, reduce long term costs associated with group health insurance and delayed retirement, and strengthen their employee value proposition. It's not just adding benefits, it's about building a measurable strategy and a positive company culture. The following recommendations are intended to provide interested employers with a set of steps for developing an employee financial health strategy:

1. Understand the Opportunity

To begin, companies need to understand the challenge of worker financial stress, the costs it imposes on their business, and the opportunity for investing in employee financial health. This paper serves as a basis for that orientation.

2. Align Your Organization

While Human Resources is a critical component to a successful program – and frequently spearheads these initiatives in larger companies – it is nonetheless important to garner support for employee financial wellness programs from various stakeholders across the organization, including senior leadership. This sort of buy-in and support will assist the program to succeed.

3. Talk to Your Employees

In order to identify the solutions most appropriate to your employee base, it's critical for companies to hear directly from their workers, honestly and anonymously. Whether through blind focus groups, surveys, or more detailed assessments, companies should ask workers questions to try to diagnose their financial health challenges and needs. To this end, CFSI has developed a survey methodology that allows us to score and segment the financial health of employees.

4. Identify & Implement Appropriate Solutions

Employers should tailor and prioritize their employee financial health strategy around what's revealed in the diagnosis and what makes sense for their business. Not every solution must be directly applicable to your entire employee base, even if they are made available to all. For example, hourly workers might benefit most from emergency savings or income smoothing tools; millennials might be most focused on student debt issues. The most impactful financial solutions are often tailored to the specific financial needs of different employee segments.

Employers can then work with their benefits providers to explore appropriate solutions for their workers' challenges, or directly reach out to third-party vendors offering compelling solutions addressing employee needs. In the spirit of competition, employers could also look at what their industry peers are offering. As with any other service, it is important to vet both providers and products to ensure quality and appropriateness for the specific employee population.

In addition to identifying the right solutions, ensure the confidential communication walls are in place so that employees can take advantage of policies and benefits without scrutiny. It's important to minimize stigma and other obstacles, and employees should want to participate. They should not feel singled out, nor should they feel like they've "shared too much" by participating in a program or taking advantage of a policy. If possible, all employees should have access to financial health resources. Eligibility should be unlimited.

Solutions to Address Employee Financial Needs



SPEND

- » Direct deposit
- » Bank account opening
- » Payroll cards
- » HSAs, FSAs
- » Bill payment
- » Tax prep



SAVE

- » Retirement saving
- » Short term and emergency savings
- » Income smoothing



BORROW

- » Pay advances
- » Retirement plan loans
- » Third-party loans
- » Debt Management & Credit Building Strategies
- » Student loan debt management strategies



PLAN

- » Financial counseling & coaching
- » Personal financial management tools
- » Retirement planning
- » Health insurance
- » Life and disability insurance

Another important consideration is having the appropriate administrative resources, especially capacity, to implement and support solutions. Several of the innovation spotlights in this paper carry no direct costs for employers; however, they still require critical administrative resources, such as setup with a payroll system, for example.

5. Drive Engagement

Companies not only need to build effective strategies and solutions, but they must also cultivate interest and action. To have a successful employee financial health strategy, companies need people signing up and engaging with the right programs and solutions. Understanding that relevance is important, companies should consider coordinating communications with key events like employee orientation or trainings, around benefits election, or along with raises. Companies should also consider applying principles of behavioral economics into their engagement strategies, such as nudges, incentives, and defaults. Defaulting participants into gradual 401(k) contribution increases, with the ability to opt-out, has been proven to dramatically increase retirement plan contribution rates.⁴⁹ Similar principles could be applied to increase deposits for emergency savings products too.

6. Measure Your Efforts

Business leaders should continually capture employee feedback, measure and evaluate initiatives, and identify ways to drive further usage and engagement. Employers can also consider piloting solutions with smaller groups of employees (whether in one region, location, function, etc.) to test them before initiating a full roll-out. Without a measurement strategy in place, there is no basis for determining effectiveness or success. And to ensure that what gets measured is also managed, it's important for companies to be transparent in communicating their goals and results to their employees, investors, and other stakeholders. Active reporting further aligns an organization and helps drive impact.

7. Commit to Improvement

Financial health is an impact-driven, iterative approach. It's important for employers to be persistent and to stick with their commitment of prioritizing financial health results in order to reduce employee financial stress. Financial health change is a long game, but a worthwhile investment. A comprehensive strategy sends the right signal to employees and is undoubtedly good for business.

Conclusion: The Nexus of Social Good and Good-for-Business

With financial stress costing companies thousands of dollars per employee, it's simply good business for employers to address worker needs – across spending, saving, borrowing, and planning – through benefits, wellness programs, compensation, and other policies. By investing comprehensively in employee financial health in the workplace, employers can significantly promote staff engagement and improve productivity. In the long term, they can reduce insurance claims, increase utilization of tax-advantaged benefits, and scale down the costs of prolonged retirement. There is also tremendous opportunity to boost employee satisfaction, attract talent, and bolster reputation overall.

There are many ways in which companies can deploy better employee solutions and manage resources more effectively. We encourage employers and other stakeholders to review the recommendations in this guide and to thoughtfully consider strategic and measurable approaches to employee financial health. And if a comprehensive overhaul feels overwhelming in the face of competing priorities and limited resources, don't be afraid to start small and simple. There is still great value by taking even one small step down this journey.

CFSI will continue to shine a spotlight on the business value of sustainable work practices related to employee financial health by working closely with employers, solution providers, and investors. Together we can strengthen the workplace, and help employees reduce stress and more effectively manage the day-to-day of their financial lives.

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