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Employee Benefit Plan Review

Discovering the Vulnerabilities: Making Financial Wellness Work

By Tony Sabos

Many of the largest organizations today prioritize "financial wellness," that is, the optimization of their employees' finances and retirement portfolio. These organizations consider financial wellness to be critical to the health of not only their employees but to the stability and health of the organization itself.

Financial Stress

The case for assisting employees is growing. In a study conducted by the American Institute of Stress in 2022, 65% of Americans responded that they were stressed about money and the economy. This 65% figure of stressed Americans due to money is the highest figure recorded in more than six years. In February and June 2021, the stress reported by Americans related to money matters was at 57% and 61%, respectively.[1]

Despite such goals, these same organizations often feel like they're not making much headway in this regard.

An organization might be able to report that they have conducted, for example, 15 or 20 "financial literacy meetings" involving perhaps 10,000 employees, and therefore believe they have done a sufficient job educating their employees. However, based on my experience over the years talking with plan sponsors about their wellness programs, employee feedback or in-house surveys often reveal just the opposite or, worse, no meaningful or measurable results at all. As a result, the organization's senior leadership team has little to go on in terms of clear and identifiable data that their financial wellness efforts are succeeding.

Vulnerabilities

Their big mistake, in my experience, is an emphasis on "educating" employees versus what can be called "discovering and benchmarking their vulnerabilities."

This means being able to answer such questions as:

- What are the employees' stress levels, i.e., how is their life affected by their finances?
- What is affecting their financial success?
- Can we show a clear path for them to follow to improve their circumstances?
- How do we help them monitor their progress and encourage them along the way?

By discovering the vulnerabilities in an employee population, we can better address such questions. However, first we need to step away from the traditional assumption that solutions should be tied to an employee's pay level. Many employers assume that highly-paid employees are automatically financially secure and therefore have no issues to address. These employers might create a financial wellness program that ignores this group of employees, when in reality they also may need help.

Discovering the employees' vulnerabilities instead may reveal other problem indicators, especially when individual employees are looked at in the context of their particular vulnerabilities.

For example, suppose an employee cannot seem to make the minimum monthly payments on their credit card debt. I label that situation "high vulnerability."

How about where an employee is burdened by a heavy load of student loans, or a high-interest mortgage? Or where employees report that they have not put aside an emergency fund? These too are what I consider "high vulnerability," regardless of their income.

The key to this discovery process may be to actually interview or survey the employee population in order to determine what their vulnerabilities are, so that the next steps and advice they receive can be customized to their personal situation. This can also be done via an app in which each employee self-selects answers to such questions as:

- How do you feel about your debt?
- How do you feel about your emergency fund?
- How do you feel about interest rates charged by your bank?
- How do you feel about your ability to retire when you want to?

Questions like these prod the employee to react emotionally as opposed to a series of less personal questions, creating insight into their financial vulnerability as well as their financial state. If these questions are asked during onboarding to a financial wellness app, for example, communication could be tailored to that individual's financial vulnerability, potentially creating an empathetic tie to the process and encouraging them based on their current need.

Subsequent guidance might next take the form of modules popping up within the app, for example, no emergency fund? Here are steps to take to create one. Struggling to make even minimum monthly card payments? Here is a debt payment module to help you address that.

Counselor or Coach

Sometimes, of course, an app might not be sufficient, and a company counselor or coach might need to step in. However, as a concept, the idea is to move past a simple pay-based assessment of financial wellness and use that information to guide employees appropriately and empathetically by concentrating on the real stumbling blocks that a pay-based model typically misses, i.e., employee vulnerabilities.

Looking at it in terms of a common industry-wide dynamic, consider a typical hospital system. The majority of graduating medical students have med school debt with the average graduate owing $250,000 in total student loan debt.[2] When they start working, however, new doctors may have a pent-up demand for "life," meaning they are now eager to buy their first house, or trade that older model car they've been driving for years for a newer, slicker vehicle. They may be ready to start a family. They also might succumb to what they and society assume a physician's lifestyle should look like and do something like join a country club. So, in addition to their significant school-related debt, new graduates may start to pile more financial burdens on as well. If they do that, they can find themselves in a financial mess down the line.

Therefore, a holistic approach to financial wellness is necessary. Improved financial wellness is not just a higher rate of pay, but one that includes an emergency fund, a debt payment strategy, a retirement income funding strategy, a budget they can live with, etc. By modifying this to their personal situation, the employee can also begin looking at their insurance coverage, short- and long-term disability coverage, healthcare plans and so forth. This includes "tips" from their employer, which can be referred to as "pro-tips," or from an app that is prepopulated with their employer's benefit programs. In other words, small bites that lead an employee in the right direction, to more extensive info that they can absorb and take action on when they are ready.

Conclusion

The solution to enabling financial wellness is grounded in measuring the employee population's financial wellbeing, personalizing it as much as possible by treating it holistically and replacing pay level as the baseline with identified vulnerabilities. In this way, financial literacy could potentially be achieved at higher and more authentic levels than has been attained historically, bolstering the health of not only an organization's employees but that of the overall organization itself. ❂

Notes

1. Stress Level Of Americans Is Rising Rapidly In 2022, New Study Finds. April 11, 2022. https://www.stress.org/stress-level-of-americans-is-rising-rapidly-in-2022-new-study-finds.
2. Education Data Initiative. Average Medical School Debt. Nov 22, 2022. https://educationdata.org/average-medical-school-debt#:~:text=The%20average%20medical%20school%20debt,in%20total%20student%20loan%20debt.

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