

Financial Capability at Work: A Strategic Framework to Guide Employers

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Partnerships Committee
President's Advisory Council on Financial Capability

Overview

Background

The President's Advisory Council on Financial Capability (PACFC) believes that the workplace offers a critically important and trusted delivery point for financial education and related benefits, with the potential to positively impact as many as 138 million Americans.

With input from more than 75 business and union leaders, human resources and benefits experts, policy experts and government and nonprofit leaders, the PACFC created this document to serve as a guide for employers of all sizes. It is designed to help CEOs, human resources executives, and business owners establish effective programs for their employees.

Business Rationale

Increasingly, employers of all sizes are concluding that in order to be competitive, enhance productivity and drive employee retention, they want and need to provide financial education, benefits and resources that go beyond just saving for retirement.

- 76% of Americans say they are stressed about money.¹
- 58% of employers say financial stress contributes to employee absences.²
- 78% of employers say employees are less productive at work when they are worried about personal financial issues.²
- Retirement experts generally recommend that individuals need between 70% and 80% of pre-retirement income – from a combination of sources including Social Security benefits, pensions, and personal savings – to achieve income adequacy in retirement.

The Challenge

The PACFC recommends that our nation's employers serve as leaders and role models by voluntarily providing the five fundamentals – and working toward offering advanced features – to drive financial capability among America's workers.

Sources: 1. American Psychological Association Survey, 2010; 2. MetLife Study on Employee Benefits Trends, 2010.

Five Fundamentals for Workplace Financial Capability

	Micro / Small Employers	Mid / Large Employers	Advanced Features
1 Employer-sponsored savings vehicles	Provide access to a retirement savings vehicle such as a SEP IRA, payroll deduction IRA, or SIMPLE IRA, preferably with an employer contribution and/or match.	Provide a defined benefit (DB), profit sharing, or low-cost 401(k), 403(b), 457 defined contribution (DC) plan with the following features: <ul style="list-style-type: none"> -Auto-enrollment -Employer contributions -Default auto-investment in professionally managed / appropriate asset allocation (such as target-date fund, broad-based index ETF, etc.) 	Enhanced DC saving / investing features such as: <ul style="list-style-type: none"> - Auto-escalation of annual deferrals - Employer contribution regardless of employee participation - Auto-enrollment for all employees (not just new hires) - Low-cost annuity investment option Supplementary plans (i.e., Health Savings Accts, profit-sharing, additional DB or DC plan) Investment guidance Financial assessment relative to retirement goals, and one-on-one counseling
2 Financial education	Provide opportunities for employees to learn from an objective source the core competencies of money management: <ul style="list-style-type: none"> - Budgeting / Goal-setting - Saving / Building emergency fund - Borrowing / Debt management - Insurance / Income protection - Retirement planning / Investing 	Provide opportunities for employees to learn from an objective source the core competencies of money management: <ul style="list-style-type: none"> - Budgeting / Goal-setting - Saving / Building emergency fund - Borrowing / Debt management - Insurance / Income protection - Retirement planning / Investing 	Additional educational topics to cover: <ul style="list-style-type: none"> - Buying a home - Saving for college - Getting ready to retire - Long-term care Online tools and calculators Multi-language translations
3 Marketing	Actively encourage employees to take advantage of the education and benefits. Employers should serve as visible champions of the efforts.	Create campaigns and communications that actively encourage employees to take advantage of the education and benefits. CEO / C-Suite leadership should serve as visible champions of the efforts.	<ul style="list-style-type: none"> - Multi-channel delivery (live, online) - Trigger-based messages (at birthdays, employment anniversaries, birth, etc) - Family inclusion, testimonials and peer-to-peer sharing - Manager engagement plan - Leverage employee diversity/resource groups
4 Measurement and metrics	Set specific, measurable goals and track progress. Key metrics include retirement savings plan participation and education participation.	Set specific, measurable goals and track progress at least annually. Key metrics include: plan participation, deferral rates, diversification, account balances and loans; educational participation; marketing results.	<ul style="list-style-type: none"> - Quarterly results summary / report - Segmented analysis by employee demographic - Dedicated staff and budget to implement program and track results
5 Products and services	Facilitate employee relationship with a bank or credit union by providing direct deposit.	Facilitate employee relationship with a bank or credit union by providing: <ul style="list-style-type: none"> - Direct deposit - Prescreened providers 	<ul style="list-style-type: none"> - Negotiated preferred pricing / services - Enable direct deposit into multiple accounts, such as savings, 529, etc.

Resources for Employers*

AARP / FINRA / Retirement Security Project's Retirement Made Simpler	<p>A coalition formed by AARP, the Financial Industry Regulatory Authority (FINRA) and the Retirement Security Project to provide companies with the tools, research and resources to make informed decisions about automating their retirement plans. Retirementmadesimpler.org</p>
American Savings and Education Council / Employee Benefit Research Institute	<p>ASEC is a nonprofit coalition of public and private organizations whose goal is to make saving and retirement planning a priority for all Americans. asec.org</p> <p>EBRI supports the development of sound employee benefits programs and public policy. ebri.org</p>
Money Smart / Money Smart for Small Business	<p>Created by the Federal Deposit Insurance Corporation (FDIC), Money Smart is a curriculum to help low- and moderate-income individuals improve their financial skills. They have also created a version of the program for small-business owners. fdic.gov/moneysmart</p>
MyMoney.gov	<p>MyMoney.gov is the federal government website featuring federal financial literacy and education programs, grants, and other consumer information, including information on Earned Income Tax Credit, health insurance and more. It is available in Spanish and English. mymoney.gov</p>
National Endowment for Financial Education	<ul style="list-style-type: none"> - Resources on how to plan and deliver financial workshops: financialworkshopkits.org - Free beginner's guide to financial readiness: smartaboutmoney.org - Retirement resources for employees: myretirementpaycheck.org
National Foundation for Credit Counseling	<p>The NFCC is the nation's largest financial counseling organization with a member network of 700+ community-based offices in all 50 states and Puerto Rico, offering free financial counseling to more than 3 million people each year in person, over the phone and online: nfcc.org</p>
Financial Literacy Center/NYSE Foundation Workplace Financial Fitness Toolkit	<p>Online resources for employers and employees: nyse.nyx.com/financial-fitness-kit</p>
Small Business Retirement Savings Advisor	<p>Developed by the Department of Labor and Employee Benefits Security Administration, the Small Business Retirement Savings Advisor provides guidance about retirement savings options for small businesses. dol.gov/ebsa/publications/SEPPlans.html</p>
Workplace Leaders in Financial Education Awards	<p>Sponsored by Society for Human Resources Management and AICPA, these awards recognize companies and institutions for exemplary financial literacy efforts: wlife.org/</p>
World at Work	<p>A nonprofit organization providing education, conferences and research compensation, benefits, work-life and integrated total rewards to attract, motivate and retain a talented workforce: worldatwork.org</p>

* This list of objective, conflict-free resources is for reference only. It is not intended to be exhaustive. It does not endorse or promote specific initiatives, research, or organizations.

Supporting Research*

<p>401(k) Plans in Living Color: A Study of 401(k) Disparities Across Racial and Ethnic Groups</p>	<p>Headline: Study reveals retirement plans of African-Americans and Hispanics hit especially hard during tough economy: arielinvestments.com/401k-Study-2012/</p> <p>Survey Sponsor: Ariel Investments and AON Hewitt. (April, 2012)</p>
<p>Help in Defined Contribution Plans: 2006 through 2010</p>	<p>Headline: 401(k) participants using professional investment help continue to do better than those who go it alone: aon.mediaroom.com/index.php?s=43&item=2388</p> <p>Survey Sponsor: AON Hewitt and Financial Engines. (September, 2011)</p>
<p>The New Rules of Engagement for 401(k) Plans: Shifting Focus to Outcomes that Matter</p>	<p>Headline: Professional advice has a direct and positive impact on the behavior of 401(k) plan participants. www.abotschwab.com/press/research/retirement_research/</p> <p>Survey Sponsor: Charles Schwab (September, 2010)</p>
<p>9th Annual Study of Employment Benefits Trends / Section 04: Remodeling the Benefits and Retirement Space</p>	<p>Headline: This employee-benefits survey contained findings on employees' financial health, including that employees with financial stress report poorer health, higher absenteeism and lower productivity. www.metlife.com/business/insights-and-tools/industry-knowledge/employee-benefits-trends-study/index.html#highlights</p> <p>Survey Sponsors: MetLife (March, 2011)</p>
<p>Financial Education: An Essential Component of Your Wellness Strategy</p>	<p>Headline: By offering broad-based financial advice and guidance, employers can help employees achieve their financial objectives. In turn, employers can profit from a more productive workforce. www.metlife.com/assets/institutional/services/insights-and-tools/cwb/ml-plansmart-whitepaper.pdf</p> <p>Survey Sponsor: MetLife (June, 2011)</p>
<p>How America Saves 2012</p>	<p>Headline: Based on 2011 record-keeping data, Vanguard shares trends in participant behavior. institutional.vanguard.com/iam/pdf/HAS12.pdf</p> <p>Survey Sponsor: Vanguard (June, 2012)</p>
<p>Increasing the Effectiveness of Retirement Saving Programs for Females and Low Income Employees: A Marketing Approach</p>	<p>Headline: Effective employee communications programs can measurably reduce employee anxiety about retirement financial needs, and increase participation in and contributions to retirement plans. www.nefe.org/LinkClick.aspx?fileticket=HqSDPBWhVZk=&tabid=758</p> <p>Authors: Annamaria Lusardi, Punam Keller, Adam Keller. Survey Sponsors: National Endowment for Financial Education, Dartmouth (April, 2009)</p>

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<p>Financial Empowerment through Employer Engagement: Migrating a City to a Paperless Pay Day</p>	<p>Headline: This white paper examines the issue of payroll direct deposit as a driver of financial well-being for low-income families, as well as an opportunity for employers to benefit their own bottom lines. cfed.org/programs/innovation/White Paper Fin Empowerment thru Employer Engagement 2011_03_final.pdf</p> <p>Authors: Corporation for Enterprise Development (CFED) and San Francisco's Office of Financial Empowerment (March, 2011)</p>
<p>Financial Education Initiatives in the Workplace</p>	<p>Headline: Approximately one-half of organizations (52%) offer financial education to their employees, down from 64% in 2009. These findings examine the impact that personal financial challenges have on employees and the types of workplace programs that help alleviate them. www.shrm.org/Research/SurveyFindings/Articles/Pages/FinancialEducationInitiatives.aspx</p> <p>Survey Sponsor: Society for Human Resources Management (January 2012)</p>
<p>How Employers Can Help New Hires Save for Retirement: Best Practices that Build Long-Term Financial Security</p>	<p>Headline: Researchers identified ten powerful and relatively easy ways to increase financial literacy among newly hired employees, enhance their ability and willingness to participate in and contribute to retirement plans, and improve their overall financial well-being. www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p188046.pdf</p> <p>Authors: Robert L. Clark and Annamaria Lusardi Research Sponsors: FINRA Investor Education Foundation (September, 2012)</p>
<p>Who Will Build Your Future: The New Employee Relationship</p>	<p>Headline: With businesses focused on managing benefit costs, boosting employee engagement, and attracting and retaining top talent, human resources leaders are "walking a tightrope." Benefits providers can play a larger role in helping businesses address competing demands and better support their employees. www.unum.com/hbrstudy/</p> <p>Author: Harvard Business Review Analytic Services Sponsor: Unum (April, 2011)</p>
<p>Investor Education for Credit Union Employees: Survey Results for Wisconsin</p>	<p>Headline: Researchers at the University of Wisconsin in cooperation with the Wisconsin Credit Union League administered a series of surveys followed by financial education modules to hundreds of employees to determine the effectiveness of financial education on improving knowledge and changing financial behavior. http://filene.org/publications/detail/Investor_Education</p> <p>Author: J. Michael Collins, PhD, Director of Center for Financial Security, University of Wisconsin. Sponsor: Filene Research Institute</p>

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