

# The Benefits of Building a Financially Savvy Workforce

## Leveraging the Power of Fidelity for Your Financial Wellness Programs

A 2012 survey on financial literacy in the United States confirmed what many employers have long suspected: American workers generally have a poor understanding of fundamental economic and personal finance concepts.

Only 14% of respondents surveyed by the FINRA Investor Education Foundation could correctly answer five relatively simple questions. The questions covered calculations involving interest rates and inflation, principles relating to risk and diversification, the relationship between bond prices and interest rates, and the impact that a shorter term can have on total interest payments over the life of a mortgage.<sup>1</sup> The 2012 results were even lower than those of a similar survey conducted in 2009.

**58%** of employers say financial "illness" plays a role in employee absenteeism.

**78%** say concerns over financial problems can have a negative impact on employee productivity.<sup>2</sup>

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### KEY TAKEAWAYS

- Employees today face a litany of financial challenges, including student loans, credit card debt, retirement savings shortfalls and elder care issues.
- In addition to meeting regulatory obligations to monitor employees' trading activity, some firms are offering financial education and wellness programs to help improve their employees' ability to manage their personal finances.
- Financial wellness programs may help reduce employee absenteeism, boost productivity, and increase employee loyalty.
- Employers can develop financial wellness program materials in-house, buy them from a vendor, or leverage the breadth and depth of experience of Fidelity Investments.

These results are raising concerns among some employers about their employees' abilities to make sound financial decisions, such as:

- In what order should I use my take-home pay to pay down debt and save for the future?
- How should I allocate my savings among stocks, bonds, real estate, cash and other investments?
- How often should I be revisiting my financial plans?

These questions are especially important in light of the amount of time and money that employers spend building and offering employee benefits programs so that employees can be focused and productive at work.

### Awareness of Financial Wellness Is on the Rise

The Great Recession raised employers' awareness of how financial problems can add to employees' stress levels and sap their productivity. A 2010 study of 2,300 workers in six countries by WFD Consulting concluded, "Financial stress is a top work-life issue across country and gender and the top issue for most. Employees increasingly spend part of their on-the-job time addressing financial concerns."<sup>2</sup>

The growing complexity of the financial landscape and the shift from employer-funded retirement savings programs to individually funded programs have also contributed to the need to provide employees with more financial education, says Franklin Gold, senior vice president of Research and Education at Fidelity Investments.

"The world has become incredibly complex from a financial perspective for the average individual," says Gold. "If you have employees who are distracted by financial issues such as managing debt, having to care for elderly parents, or catching up on their own retirement savings plan, that creates enormous amounts of stress and strain."

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Saving for retirement is just one of the many financial challenges that can be a distraction to workers. Many of today's newly minted college graduates must first tackle significant amounts of college debt before they can even think about retirement or perhaps saving for a down payment on their first home. According to the College Board, about 60% of students who earned bachelor's degrees in 2011–12 from the public and private nonprofit institutions at which they began their studies graduated with an average of \$26,500 in debt.<sup>3</sup>

For people on the other end of the age spectrum, longer life expectancies are creating additional financial and emotional strains. Members of the so-called "sandwich generation" are simultaneously saving for their own retirement expenses and their children's college expenses while also grappling with the challenge of providing care to their elderly parents. According to the 2013 John Hancock Long-Term Care Cost of Care Survey, the median cost of a room in a private nursing home is \$94,170 annually.<sup>4</sup>

Where can employees go for unbiased, trusted information that will educate them on how to overcome these financial challenges? In many cases, employer-provided financial wellness programs are helping to plug this educational gap.

### Joined at the Hip: Health and Wealth

Growing awareness of the impact of financial stressors in the workplace has led to renewed interest in financial wellness programs. Employers are waking up to the realization that—similar to the way employee health is critical to a company's bottom line—employees' financial stability is also vital.

"If an employee is not financially sound, it's difficult for him or her to be physically or mentally well," says Jennifer Hanson, senior vice president of benefits administration at Fidelity Investments. "Financial wellness is really about providing employees with the resources they need to manage their financial well-being, as well as making sure they are aware of all the programs and benefits their employer offers to help them succeed financially."

Hanson believes employers today are starting to look at their employees more holistically to determine how they can help them succeed in all facets of their lives. While employers in the past measured productivity by calculating how many hours employees worked, today they are looking at the bigger picture and considering how much employees actually accomplish.

“The old way of measuring employee productivity was, ‘Do people show up for work?’” explains Hanson. “The new way looks less at the hours they work and instead focuses on how employers can enable workers to be as productive as possible, not only at work, but also at home. How can they help them have a quality of life that enables them to contribute the energy and creativity employers need from employees in order to be successful as a firm?”

As a designated brokerage provider since 1997, Fidelity has helped clients manage their employees’ trading and investment monitoring activity. More recently, however, our clients have begun asking us how we can help them tap into Fidelity’s vast financial education and guidance resources and capabilities.

## Key Considerations When Implementing a Wellness Program

Financial wellness programs may have varying degrees of complexity and sophistication. The most basic programs simply compile a company’s existing benefits communications onto an online portal. These sites are often limited in their scope and focus primarily on employee benefits, such as health insurance plans, life and disability insurance, and workplace retirement savings plans.

Programs that are more sophisticated provide an electronic dashboard to help employees view their overall pay and benefits package and measure their progress against their personal savings goals. The most advanced programs include additional materials and tools that cover budgeting, debt management, college savings, elder care, charitable giving, portfolio management, and other critical personal finance issues.

When designing a financial wellness program, it’s important to recognize that there are multiple target audiences, each with its own communications preferences. Younger workers who grew up in a digital world may be more comfortable learning via online webinars and videos. For example, in one study, college-age students were shown digitized images of their potential future selves. These students ended up allocating twice as much to their retirement savings as those students who were shown contemporary photos.<sup>5</sup> Other employees may be less comfortable with online delivery and may prefer in-person seminars.

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—Jennifer Hanson, senior vice president, Benefits Administration at Fidelity Investments Education

## Leveraging Your Financial Partners' Resources

As the financial landscape becomes increasingly complex, risks to employees will only grow. Financial wellness programs may help reduce financial stress, workplace distractions, and absenteeism, while also increasing employees' loyalty.

While it's often true that people who work in financial services are more familiar with the language and terminology of the business, that does not mean they fully understand how to plan for retirement, save for their children's college education, or manage elder care issues.

"What's true at most financial services companies is that you get good at what you do and you understand your corner of the business," says Andrew Brownsword, senior vice president of Fidelity Designated Brokerage Services. "If you're a bond trader, you know the fixed-income market inside and out. But that does not mean you know when it's the right time for you to buy a deferred variable annuity, for instance."

Leveraging the resources of your designated brokerage provider can be a cost-effective way to launch a financial wellness program or to expand the scope of existing programs. Yet many Fidelity Designated Brokerage Services clients believe they only have two choices when offering educational content in their financial wellness programs—create it themselves or buy it from one of several vendors in this space. In fact, according to a Fidelity Designated Brokerage Services survey, 32% reported paying for such content.<sup>6</sup>

At Fidelity, we believe that our investors, including the employees of our Designated Brokerage Services clients, should have access to the best investment educational content that we can produce, at zero cost.

For example, one leading global asset manager has leveraged Fidelity's educational seminars to enhance its financial wellness program for more than 5,000 employees. These seminars can be delivered in person by Fidelity's subject matter experts or via webinars.

"At Fidelity Designated Brokerage Services, we work to bring the full power of what the Fidelity Investments organization has to offer to our clients," says Brownsword. "This includes helping our clients leverage Fidelity's wide array of educational resources to enhance their employees' financial wellness."

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## FINANCIAL WELLNESS PROGRAM BEST PRACTICES

Consider these suggestions to help your employees achieve financial health and wellness:

- Keep employees informed with personalized, targeted communications to help them develop confidence in their decisions and understand next steps.
  - Provide unbiased guidance that educates and empowers employees to improve behaviors and encourages them to invest appropriately for their goals and life stage.
  - Foster lifelong learning that includes information about budgeting, debt management, insurance, retirement planning and other common financial challenges.
  - Tailor communications to employees' preferences. Offer a mix of online content and in-person seminars.
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### FIDELITY DESIGNATED BROKERAGE SERVICES:

#### A strategic partner in your company's success.

Bringing the power of Fidelity Investments to your employees:

- Fidelity Investments, a privately held firm for nearly 70 years, helps 23 million people pursue their financial goals.
- The Fidelity Learning Center and [mymoney.fidelity.com](https://mymoney.fidelity.com) provide educational resources that can help your employees make smart financial decisions.
- Fidelity Investments is one of the largest managers of 401(k)\* and 403(b) plan assets in the U.S.\*\*
- Fidelity Investments is the No. 1 provider of workplace retirement savings plans in the United States.\*\*\*
- Fidelity serves retail customers by phone and through its 183 Investor Centers around the country.

LEARN MORE about how we can help you manage your employees' investment and trading activities and build a financially savvy workforce.

Contact Fidelity Designated Brokerage Services at **877-907-4424** or visit [www.fidelity.com/designatedbrokerage](http://www.fidelity.com/designatedbrokerage) to learn how Fidelity can help you with your financial wellness program needs.



<sup>1</sup> FINRA National Financial Capability Study. <http://www.usfinancialcapability.org/results.php?region=US>.

<sup>2</sup> WFD Consulting. (2011, May 18). New study shatters myth that work-life is a women's issue. <http://www.wfd.com/news/register-gms2011.html>

<sup>3</sup> College Board Trends in Higher Education. <https://trends.collegeboard.org/student-aid/figures-tables/average-debt-levels-private-nonprofit-sector-bachelors-degree-recipients-over-time>

<sup>4</sup> 2013 John Hancock Long-Term Care Cost of Care Survey. [http://www.johnhancock.com/about/news\\_details.php?fn=jul3013-text&yr=2013](http://www.johnhancock.com/about/news_details.php?fn=jul3013-text&yr=2013)

<sup>5</sup> The MetLife Study of Financial Wellness Across the Globe: A look at how multinational companies are helping employees better manage their personal finances. <https://www.metlife.com/assets/institutional/products/benefits-products/ml-global-financial-wellness-study.pdf>

<sup>6</sup> The Fidelity ECR Survey included approximately 800 firms who use Fidelity Employee Compliance Reporting (ECR) Services. The online survey was conducted between February 20, 2014, and March 13, 2014, and reflects the responses of 89 firms.

\* This statement is based on Fidelity being ranked first in 401(k) record-keeping assets as of December 31, 2014 by PLANSPONSOR's annual Defined Contribution Recordkeepers Survey and first in 401(k) record-kept assets as of December 31, 2013 in Cerulli Associates Quantitative Update Retirement Markets 2014.

\*\* This statement is based on total record-kept assets as of December 31, 2014 by PLANSPONSOR's annual Defined Contribution Recordkept Survey, and as measured by 403(b) plan assets under administration as of December 31, 2013 in Cerulli Associates Quantitative Update Retirement Markets 2014.

\*\*\* This statement is based on the results of a combination of independent media surveys. Fidelity ranked first in DC assets under administration as of September 30, 2014 by Pensions & Investments' Defined Contribution Record Keepers Survey, first in total record-keeping assets and participants as of December 31, 2014 by PLANSPONSOR in its annual Defined Contribution Recordkeepers Survey and first in DC assets record kept as of December 31, 2013 in Cerulli Associates Quantitative Update Retirement Markets 2014.

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